

CITY OF SAINT PAUL
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL
SECTION

BASIC FINANCIAL STATEMENTS

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
December 31, 2004

Exhibit 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Cash and Investments	218,821,968	52,139,257	270,961,225	4,056,999
Investments	-	460,143	460,143	13,903,051
Securities Lending Collateral	129,454,113	-	129,454,113	-
Receivables (Net of Allowance for Uncollectibles)	73,585,465	7,141,719	80,727,184	34,856,759
Due from Component Units	197,852	2,333,708	2,531,560	-
Due from Primary Government	-	-	-	85,807
Due from Other Governmental Units	25,965,010	632,781	26,597,791	324,080
Internal Balances	2,260,705	(2,260,705)	-	-
Inventories	13,194,261	5,163,216	18,357,477	1,720,828
Other Assets	5,270,066	1,857,781	7,127,847	2,190,035
Restricted Cash and Investments	35,000	47,563,727	47,598,727	33,297,454
Long Term Receivables	10,155,578	29,069,664	39,225,242	5,821,989
Capital Assets, Net of Related Depreciation				
Land	138,198,089	22,956,161	161,154,250	9,519,303
Buildings	373,257,987	73,240,893	446,498,880	70,679,986
Improvements Other than Buildings	58,485,427	-	58,485,427	-
Public Improvements	-	259,500,468	259,500,468	133,167,620
Equipment	25,577,972	2,100,330	27,678,302	18,124,633
Infrastructure	443,467,447	-	443,467,447	-
Construction in Progress	47,654,707	918,217	48,572,924	25,393,750
Total Assets	1,565,581,647	502,817,360	2,068,399,007	353,142,294
LIABILITIES				
Accounts Payable and Other Current Liabilities	21,747,254	3,373,905	25,121,159	6,755,868
Accrued Salaries	8,340,690	318,026	8,658,716	1,604,303
Due to Component Units	22,043	63,764	85,807	-
Due to Primary Government	-	-	-	2,531,560
Due to Other Governmental Units	4,470,241	11,286	4,481,527	1,887,929
Unearned Revenue	15,215,111	370,302	15,585,413	2,734,118
Obligations Under Securities Lending	129,454,113	-	129,454,113	-
Liabilities Payable from Restricted Assets	-	4,491,450	4,491,450	4,804,651
Noncurrent Liabilities:				
Due Within One Year	38,369,144	9,456,176	47,825,320	3,430,000
Due in More than One Year	427,055,145	148,731,844	575,786,989	132,132,366
Total Liabilities	644,673,741	166,816,753	811,490,494	155,880,795
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	828,644,882	238,808,414	1,067,453,296	149,620,034
Restricted for:				
Public Safety	2,847,562	-	2,847,562	-
Culture and Recreation	1,368,547	-	1,368,547	-
Debt Service	11,154,891	8,576,232	19,731,123	16,322,467
Permanent Activities				
Expendable	27,481	-	27,481	-
Nonexpendable	35,000	-	35,000	-
Operations and Maintenance	-	3,741,840	3,741,840	-
Other Purposes	400,788	3,787,113	4,187,901	-
Unrestricted	76,428,755	81,087,008	157,515,763	31,318,998
Total Net Assets	920,907,906	336,000,607	1,256,908,513	197,261,499

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended December 31, 2004

Exhibit 2

					Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Totals	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government								
Governmental Activities								
General Government	33,153,322	9,380,491	404,588	679,322	(22,688,921)	-	(22,688,921)	-
Public Safety	119,288,009	26,665,718	4,115,541	-	(88,506,750)	-	(88,506,750)	-
Highways and Streets	50,951,082	26,438,639	5,759,183	21,916,828	3,163,568	-	3,163,568	-
Sanitation	8,482,242	2,297,414	551,217	15,039	(5,618,572)	-	(5,618,572)	-
Health	3,673,383	3,831,618	-	-	158,235	-	158,235	-
Culture and Recreation	56,895,873	4,219,813	7,895,444	8,965,046	(35,815,570)	-	(35,815,570)	-
Housing and Economic Development	33,804,802	5,557,466	15,114,643	225,000	(12,907,693)	-	(12,907,693)	-
Interest and Fiscal Charges	23,052,309	-	-	-	(23,052,309)	-	(23,052,309)	-
Total Governmental Activities	329,301,022	78,391,159	33,840,616	31,801,235	(185,268,012)	-	(185,268,012)	-
Business-Type Activities								
Convention Facility	7,548,429	7,469,223	-	1,414,348	-	1,335,142	1,335,142	-
Sewer	27,103,522	41,582,550	78,236	-	-	14,557,264	14,557,264	-
Development Loan Programs	11,244,451	2,524,308	1,427,478	-	-	(7,292,665)	(7,292,665)	-
Parking	10,724,858	9,855,748	-	-	-	(869,110)	(869,110)	-
Parks, Recreation and Athletics	4,996,435	3,987,924	14,122	30,352	-	(964,037)	(964,037)	-
Impound Lot	1,972,880	2,160,387	-	-	-	187,507	187,507	-
Printing	1,242,616	1,385,361	-	-	-	142,745	142,745	-
Total Business-Type Activities	64,833,191	68,965,501	1,519,836	1,444,700	-	7,096,846	7,096,846	-
Total Primary Government	394,134,213	147,356,660	35,360,452	33,245,935	(185,268,012)	7,096,846	(178,171,166)	-
Component Units								
Regional Water Services	32,044,105	32,963,718	77,960	1,610,383	-	-	-	2,607,956
Port Authority	43,986,694	35,192,360	5,285,399	-	-	-	-	(3,508,935)
Total Component Units	76,030,799	68,156,078	5,363,359	1,610,383	-	-	-	(900,979)
General Revenues								
Taxes								
Property Taxes, Levied for General Purposes					53,208,363	1,219,706	54,428,069	-
Property Taxes, Levied for Debt Service					16,314,143	-	16,314,143	2,043,797
City Sales Tax					13,753,085	-	13,753,085	-
Gross Earnings Franchise Fee					20,734,092	-	20,734,092	-
Other Taxes					3,051,574	-	3,051,574	-
Local Government Aid					56,713,060	-	56,713,060	-
Grants and Contributions Not Restricted to Specific Programs					14,253,707	-	14,253,707	-
Investment Income								
Interest Earned on Investments					8,030,739	1,539,142	9,569,881	1,793,577
Decrease in Fair Value of Investments					(1,911,771)	(494,038)	(2,405,809)	(135,440)
Other Investment Income					2,068,978	28,395	2,097,373	-
Gain Sale of Capital Assets					55,201	1,108	56,309	6,882,815
Miscellaneous					5,040,447	124,194	5,164,641	69,611
Transfers					(4,161,316)	4,161,316	-	-
Total General Revenues and Transfers					187,150,302	6,579,823	193,730,125	10,654,360
Change in Net Assets					1,882,290	13,676,669	15,558,959	9,753,381
Net Assets - January 1					919,025,616	322,323,938	1,241,349,554	187,508,118
Net Assets - December 31					920,907,906	336,000,607	1,256,908,513	197,261,499

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

Exhibit 3

	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments with Treasurer	16,948,563	2,872,280	5,444,340	25,571,489	10,958,483	-	109,029,898	170,825,053
Cash and Investments with Trustees	-	-	-	-	14,941,693	-	22,026,971	36,968,664
Interfund Receivable for Pooled								
Cash and Investments Overdrafts	3,462,227	-	-	-	-	-	-	3,462,227
Imprest Funds	59,640	-	-	-	-	-	30,775	90,415
Securities Lending Collateral (Note VI.A.)	129,454,113	-	-	-	-	-	-	129,454,113
Receivables								
Property Taxes - Due from Ramsey County	338,772	100,048	5,519	60,363	194,408	-	48,821	747,931
Property Taxes - Delinquent	1,084,697	150,198	31,527	209,632	843,644	-	14,725	2,334,423
Accounts (net of allowance for estimated uncollectible)	9,510,021	-	46,210	103,686	9,608	1,159,866	1,930,694	12,760,085
Assessments	-	-	-	-	-	13,740,027	25,974,944	39,714,971
Notes and Loans	-	-	-	-	-	-	17,251,343	17,251,343
Accrued Interest	957,346	-	56,254	193,665	303,739	-	744,602	2,255,606
Due from Xcel Energy	1,102,682	-	-	-	-	-	-	1,102,682
Due from Other Funds	18,407,504	-	101,164	-	47,085	6,890,270	2,869,794	28,315,817
Due from Component Units	-	-	-	-	-	47,947	108,080	156,027
Due from Other Governmental Units	579,525	11,750	-	-	-	15,320,506	6,800,980	22,712,761
Advance to Other Funds	2,184,600	-	500,950	-	-	-	1,010,726	3,696,276
Land Held for Resale	-	-	8,233,382	-	-	-	3,004,753	11,238,135
TOTAL ASSETS	184,089,690	3,134,276	14,419,346	26,138,835	27,298,660	37,158,616	190,847,106	483,086,529

continued

City of Saint Paul, Minnesota
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

Exhibit 3

	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES								
Liabilities								
Interfund Payable for Pooled								
Cash and Investments Overdrafts	-	-	-	-	-	1,285,083	1,325,042	2,610,125
Accrued Salaries Payable	5,691,255	386,407	-	9,715	-	5,757	1,217,094	7,310,228
Obligations Under Securities Lending (Note VI.A.)	129,454,113	-	-	-	-	-	-	129,454,113
Accounts Payable	1,895,836	167,567	22,624	-	-	2,049,853	2,318,976	6,454,856
Contracts/Retention Payable	4,320	-	709,376	-	-	8,305,470	55,000	9,074,166
Due to Other Funds	1,220,541	1,539,155	26,718	282,147	-	695,583	9,764,167	13,528,311
Due to Component Units	-	-	-	-	-	-	14,631	14,631
Due to Other Governmental Units	1,886,680	-	-	-	440,178	-	2,142,301	4,469,159
Advance from Other Funds	-	-	-	-	-	2,015,369	7,180,925	9,196,294
Accrued Interest Payable - Securities Lending	233,662	-	-	-	-	-	-	233,662
Deferred Revenue	9,862,898	150,198	8,316,890	318,320	1,235,354	25,017,759	25,957,751	70,859,170
Unearned Revenue	-	-	-	-	-	1,632,093	10,918,765	12,550,858
Total Liabilities	150,249,305	2,243,327	9,075,608	610,182	1,675,532	41,006,967	60,894,652	265,755,573
Fund Balances								
Reserved for								
Encumbrances	2,096,574	93,693	126,664	-	-	4,490,259	2,429,003	9,236,193
Imprest Funds	59,640	-	-	-	-	-	30,775	90,415
Advance to Other Funds	2,184,600	-	500,950	-	-	-	1,010,726	3,696,276
Long-Term Receivable	-	-	-	-	-	-	105,289	105,289
Mandatory 5% for Retirement of Debt	-	-	-	1,118,729	-	-	39,641	1,158,370
Port Authority Hotel Bonds Moral Obligation	-	-	-	472,885	-	-	-	472,885
Permanent Fund Activities	-	-	-	-	-	-	35,000	35,000
Unreserved, Reported in								
General Fund	29,499,571	-	-	-	-	-	-	29,499,571
Special Revenue Funds	-	797,256	4,716,124	-	-	-	46,644,955	52,158,335
Debt Service Funds	-	-	-	23,937,039	25,623,128	-	17,627,513	67,187,680
Capital Projects Funds	-	-	-	-	-	(8,338,610)	62,002,071	53,663,461
Permanent Funds	-	-	-	-	-	-	27,481	27,481
Total Fund Balances	33,840,385	890,949	5,343,738	25,528,653	25,623,128	(3,848,351)	129,952,454	217,330,956
TOTAL LIABILITIES AND FUND BALANCES	184,089,690	3,134,276	14,419,346	26,138,835	27,298,660	37,158,616	190,847,106	483,086,529

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET AND
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
For the Fiscal Year Ended December 31, 2004

Exhibit 4

Total Fund Balances - Governmental Funds	\$ 217,330,956
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	1,075,797,958
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.	70,859,170
Internal Service funds are used by management to charge the costs of various services provided to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	21,699,088
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(464,779,266)</u>
Net Assets of Governmental Activities	<u>\$ 920,907,906</u>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2004

Exhibit 5

	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property Taxes								
Current Taxpayer	39,025,170	6,565,125	766,059	9,521,613	-	-	2,420,016	58,297,983
Current Tax Increment	52,315	-	-	-	9,018,479	-	4,104,695	13,175,489
Delinquent Taxpayer	157,602	-	11,902	70,101	-	-	-	239,605
Total Property Taxes	39,235,087	6,565,125	777,961	9,591,714	9,018,479	-	6,524,711	71,713,077
Penalties and Interest on Property Taxes	106,446	-	-	-	-	-	-	106,446
Forfeited Tax Sale Apportionment	54,550	-	-	-	-	-	-	54,550
City Sales Tax	-	-	-	-	-	-	13,753,085	13,753,085
Gross Earnings Franchise Fees	17,983,409	-	-	1,000,475	-	-	1,750,207	20,734,091
Hotel-Motel Tax	673,208	-	-	-	220,000	-	1,992,639	2,885,847
Contamination Tax	1,536	261	-	371	-	-	96	2,264
Drugstore and Mortuary Tax	2,825	-	-	-	-	-	-	2,825
Total Taxes	58,057,061	6,565,386	777,961	10,592,560	9,238,479	-	24,020,738	109,252,185
Licenses and Permits	872,106	-	-	-	-	-	10,965,632	11,837,738
Intergovernmental Revenue (Schedule 34)	65,260,620	5,985,460	38,346	675,357	224,745	27,108,035	25,223,543	124,516,106
Fees, Sales and Services	12,922,433	55,241	1,573,759	-	415,000	-	23,638,112	38,604,545
Assessments	-	-	-	-	-	2,905,017	20,250,802	23,155,819
Investment Income								
Interest Earned on Investments	3,537,138	-	201,565	730,383	881,880	14,318	2,748,265	8,113,549
Decrease in Fair Value of Investments	(819,998)	-	(64,617)	(222,453)	(129,303)	(2,984)	(734,493)	(1,973,848)
Interest Earned on Securities Lending	1,775,821	-	-	-	-	-	-	1,775,821
Interest Earned - Other	-	-	-	-	240,666	-	490,639	731,305
Miscellaneous Revenue								
Program Income	-	-	-	-	-	-	3,519,418	3,519,418
Other	1,136,009	958,066	28,674	41,720	-	2,779,388	5,012,428	9,956,285
Total Revenues	142,741,190	13,564,153	2,555,688	11,817,567	10,871,467	32,803,774	115,135,084	329,488,923

continued

City of Saint Paul, Minnesota
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2004

Exhibit 5

	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
EXPENDITURES								
Current								
General Government	19,934,450	-	-	531,766	-	1,414,353	6,329,499	28,210,068
Public Safety	99,914,402	-	-	-	-	422,346	16,912,492	117,249,240
Highways and Streets	4,960,920	-	-	-	-	8,941,130	17,946,617	31,848,667
Sanitation	-	-	-	-	-	6,078,078	2,404,212	8,482,290
Health	-	-	-	-	-	-	3,831,618	3,831,618
Culture and Recreation	22,005,540	13,426,119	-	-	-	762,283	7,044,571	43,238,513
Housing and Economic Development	84,358	-	3,027,808	-	-	339,583	27,609,501	31,061,250
Miscellaneous	6,025,438	-	-	-	-	-	-	6,025,438
Capital Outlay	-	12,270	-	-	-	51,850,812	1,686,826	53,549,908
Debt Service								
Bond Principal	-	-	-	18,150,000	5,113,058	-	3,180,000	26,443,058
Other Debt Principal	470,000	-	-	-	949,826	-	1,896,418	3,316,244
Interest - Bonds	-	-	-	4,159,387	8,312,688	-	6,031,228	18,503,303
Interest - Securities Lending	1,699,384	-	-	-	-	-	-	1,699,384
Interest - Other Debt	585,341	-	345,000	-	358,276	-	1,461,002	2,749,619
Bond Issuance Costs	-	-	-	28,594	-	28,566	487,975	545,135
Total Expenditures	155,679,833	13,438,389	3,372,808	22,869,747	14,733,848	69,837,151	96,821,959	376,753,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,938,643)	125,764	(817,120)	(11,052,180)	(3,862,381)	(37,033,377)	18,313,125	(47,264,812)
OTHER FINANCING SOURCES (USES)								
Transfers In	10,101,003	410,207	32,121	8,578,873	20,557,656	28,787,327	24,522,461	92,989,648
Transfers Out	(2,212,855)	(38,553)	(440,535)	(2,088)	(16,094,802)	(1,541,992)	(77,610,555)	(97,941,380)
Bonds Issued	-	-	-	-	-	2,500,000	38,132,965	40,632,965
Current Refunding Bonds Issued	-	-	-	3,270,000	-	-	2,092,035	5,362,035
Refunded Bonds	-	-	-	(3,295,000)	(2,045,000)	-	-	(5,340,000)
Premium on Bonds Issued	-	-	-	259,932	-	20,715	656,465	937,112
Capital Lease	1,008,250	-	-	-	-	-	216,100	1,224,350
Sale of Capital Assets	37,731	-	-	-	-	-	6,591	44,322
Total Other Financing Sources (Uses)	8,934,129	371,654	(408,414)	8,811,717	2,417,854	29,766,050	(11,983,938)	37,909,052
Net Change in Fund Balances	(4,004,514)	497,418	(1,225,534)	(2,240,463)	(1,444,527)	(7,267,327)	6,329,187	(9,355,760)
FUND BALANCES, January 1	37,844,899	393,531	6,569,272	27,769,116	27,067,655	3,418,976	123,623,267	226,686,716
FUND BALANCES, December 31	33,840,385	890,949	5,343,738	25,528,653	25,623,128	(3,848,351)	129,952,454	217,330,956

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Fiscal Year Ended December 31, 2004

Exhibit 6

Net Change in Fund Balances - Total Governmental Funds	\$ (9,355,760)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Net Assets, the cost of these assets is capitalized and depreciated over their estimated useful lives with depreciation expense reported in the Statement of Activities.	26,473,104
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(1,094,931)
Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	747,163
Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	(11,646,688)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(391,976)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,528,064)
Internal Service funds are used by management to charge the costs of various services provided to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.	<u>(320,558)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,882,290</u>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2004

Exhibit 7

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
ASSETS							
Current Assets							
Cash and Investments with Treasurer	1,081,345	27,922,607	15,153,509	6,554,920	1,420,376	52,132,757	10,971,936
Investments	-	460,143	-	-	-	460,143	-
Imprest Funds	-	150	-	-	6,350	6,500	900
Restricted Cash and Cash Equivalents							
Cash for General Obligation Bond Current Debt Service	-	31,040	-	5,226,594	-	5,257,634	-
Cash for Revenue Bond Current Debt Service	-	574,154	12,149,970	4,694,215	-	17,418,339	-
Cash for Revenue Bond Operations and Maintenance	-	-	-	574,083	-	574,083	-
Cash for Revenue Bond Construction	-	-	13,440,760	-	-	13,440,760	-
Cash for Water Pollution Abatement Current Debt Service	-	391,710	-	-	-	391,710	-
Receivables							
Delinquent Taxes Receivable	-	-	-	8,683	-	8,683	-
Accounts (net of allowance for estimated uncollectibles)	365,286	4,742	20,735	334,120	130,580	855,463	330,899
Unbilled	-	-	-	-	-	-	33,505
Assessments	-	5,823,532	1,014	-	-	5,824,546	-
Accrued Interest	8,370	129,002	259,482	58,940	5,916	461,710	141,024
Due from Other Funds	-	220,000	326,632	159,100	44,521	750,253	3,886,809
Due from Component Units	-	2,298,842	-	-	34,866	2,333,708	41,825
Due from Other Governmental Units	431,949	98,163	-	-	93,986	624,098	165,245
Inventories							
Materials and Supplies	-	101,138	-	-	206,249	307,387	1,956,126
Impounded Cars	-	-	-	-	83,030	83,030	-
Prepaid Items	50,248	-	-	-	-	50,248	3,637,150
Land Held for Resale	-	-	4,772,799	-	-	4,772,799	-
Total Current Assets	1,937,198	38,055,223	46,124,901	17,610,655	2,025,874	105,753,851	21,165,419
Noncurrent Assets							
Restricted Assets							
Cash for Revenue Bond Operations and Maintenance	-	3,162,757	-	-	-	3,162,757	-
Cash for Revenue Bond Construction	-	2,733,289	-	-	-	2,733,289	-
Cash for Budget and Rate Stabilization	-	3,787,113	-	-	-	3,787,113	-
Cash for Pedestrian Connection	248,069	-	-	-	-	248,069	-
Cash for Ramp Capital Projects	179,256	-	-	-	-	179,256	-
Cash for Rental Subsidies/Promotion Reserve	370,717	-	-	-	-	370,717	-
Total Restricted Assets	798,042	9,683,159	-	-	-	10,481,201	-
Other Assets							
Contract Receivable - Metropolitan							
Council Environmental Services (Note VI.B.)	-	247,228	-	-	-	247,228	-
Advance to Other Funds	-	2,190,369	3,946,836	-	-	6,137,205	5,602,215
Deferred Charges	-	739,623	363,048	652,279	52,583	1,807,533	-
Other Long-Term Loans Receivable	-	-	27,498,310	-	-	27,498,310	10,155,578
Accrued Interest Receivable on Loans	-	-	1,324,126	-	-	1,324,126	-
Fair Value of Non-Pooled Investments	-	-	-	-	-	-	-
Total Other Assets	-	3,177,220	33,132,320	652,279	52,583	37,014,402	15,757,793

continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2004

Exhibit 7

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
Capital Assets							
Land	-	82,186	-	19,514,990	3,358,985	22,956,161	80,908
Buildings and Structures	1,087,244	3,072,438	-	88,588,792	6,199,199	98,947,673	6,772,321
Less: Accumulated Depreciation	(735,090)	(169,023)	-	(23,205,181)	(1,597,486)	(25,706,780)	(3,450,757)
Public Improvements	-	348,380,464	-	1,641,449	-	350,021,913	-
Less: Accumulated Depreciation	-	(90,197,733)	-	(323,712)	-	(90,521,445)	-
Equipment	4,145,136	1,281,961	-	31,060	2,421,765	7,879,922	25,437,917
Less: Accumulated Depreciation	(3,012,920)	(849,323)	-	(8,800)	(1,908,549)	(5,779,592)	(17,996,718)
Construction in Progress	-	898,946	-	-	19,271	918,217	-
Total Capital Assets	1,484,370	262,499,916	-	86,238,598	8,493,185	358,716,069	10,843,671
Total Noncurrent Assets	2,282,412	275,360,295	33,132,320	86,890,877	8,545,768	406,211,672	26,601,464
TOTAL ASSETS	4,219,610	313,415,518	79,257,221	104,501,532	10,571,642	511,965,523	47,766,883
LIABILITIES							
Current Liabilities (Payable from Current Assets)							
Interfund Payable for Pooled							
Cash and Investments Overdrafts	-	-	-	-	494,723	494,723	357,379
Accrued Salaries Payable	7,876	141,280	-	-	168,870	318,026	1,030,462
Accounts Payable	-	148,188	537,173	166,626	176,722	1,028,709	446,698
Contracts Payable	-	-	1,347,771	-	675,297	2,023,068	-
Due to Other Funds	1,749	2,358,353	176,276	7,734	564,503	3,108,615	16,601,007
Due to Component Units	-	63,764	-	-	-	63,764	7,412
Due to Other Governmental Units	-	-	-	38	11,248	11,286	1,082
Unearned Revenue	370,302	-	-	-	-	370,302	2,664,253
Compensated Absences Payable	1,227	25,358	-	-	21,587	48,172	141,067
General Obligation Bonds Payable	-	178,750	-	-	-	178,750	-
Revenue Bonds Payable	-	5,628,333	-	423,772	155,000	6,207,105	-
Revenue Notes Payable	-	884,025	1,934,380	60,000	-	2,878,405	-
Capital Lease Payable	143,744	-	-	-	-	143,744	116,679
Accrued Interest Payable							
Revenue Bonds	-	-	-	-	15,495	15,495	-
Revenue Notes	-	193,223	-	76,025	-	269,248	-
Capital Lease	37,362	-	-	-	-	37,362	34,495
Total Current Liabilities (Payable from Current Assets)	562,260	9,621,274	3,995,600	734,195	2,283,445	17,196,774	21,400,534 continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2004

Exhibit 7

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals	
Current Liabilities (Payable from Restricted Assets)							
Accounts Payable	-	-	72,938	-	-	72,938	-
General Obligation Bonds Payable	-	16,250	-	1,135,000	-	1,151,250	-
Revenue Bonds Payable	-	511,667	-	1,036,228	-	1,547,895	-
Accrued Interest Payable							
General Obligation Bonds	-	14,789	-	830,547	-	845,336	-
Revenue Bonds	-	62,488	52,750	758,793	-	874,031	-
Total Current Liabilities (Payable from Restricted Assets)	-	605,194	125,688	3,760,568	-	4,491,450	-
Noncurrent Liabilities							
General Obligation Bonds Payable	-	3,480,000	-	36,005,000	-	39,485,000	-
Less: Unamortized Discount	-	(40,542)	-	-	-	(40,542)	-
Revenue Bonds Payable	-	20,380,000	25,000,000	39,255,000	3,085,000	87,720,000	-
Add: Unamortized Premium	-	515,629	-	-	-	515,629	-
Less: Unamortized Discount	-	(119,228)	-	-	(19,764)	(138,992)	-
Revenue Notes Payable	-	15,824,589	-	3,090,000	-	18,914,589	-
Capital Lease Payable	1,480,713	-	-	-	-	1,480,713	2,299,779
Advance from Other Funds	1,756,126	-	-	-	3,730,501	5,486,627	752,775
Compensated Absences Payable	14,109	192,771	-	-	588,567	795,447	1,672,928
Total Noncurrent Liabilities	3,250,948	40,233,219	25,000,000	78,350,000	7,384,304	154,218,471	4,725,482
TOTAL LIABILITIES	3,813,208	50,459,687	29,121,288	82,844,763	9,667,749	175,906,695	26,126,016
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	(140,086)	231,949,058	-	5,456,993	1,542,449	238,808,414	8,321,013
Restricted for:							
Debt Service	-	391,710	2,024,281	6,160,241	-	8,576,232	-
Operation and Maintenance	-	3,162,757	-	579,083	-	3,741,840	-
Rate Stabilization	-	3,787,113	-	-	-	3,787,113	-
Total Restricted	-	7,341,580	2,024,281	6,739,324	-	16,105,185	-
Unrestricted	546,488	23,665,193	48,111,652	9,460,452	(638,556)	81,145,229	13,319,854
TOTAL NET ASSETS	406,402	262,955,831	50,135,933	21,656,769	903,893	336,058,828	21,640,867
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						58,221	
Net Assets of Business-Type Activities						336,117,049	

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2004

Exhibit 8

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Totals
OPERATING REVENUES						
Fees, Sales and Services	5,538,352	38,163,791	1,458,128	9,855,748	6,965,770	61,981,789
Rents and Leases	1,917,115	-	-	-	514,913	2,432,028
Interest Earned on Loans	-	-	1,066,180	-	-	1,066,180
Miscellaneous	13,756	3,418,759	-	-	64,645	3,497,160
Total Operating Revenues	7,469,223	41,582,550	2,524,308	9,855,748	7,545,328	68,977,157
OPERATING EXPENSES						
Cost of Merchandise Sold	-	-	-	-	228,434	228,434
Salaries	147,539	2,642,900	-	-	3,444,892	6,235,331
Employee Fringe Benefits	55,830	898,238	-	-	948,094	1,902,162
Agent	-	-	-	2,662,571	-	2,662,571
Services	6,509,427	17,064,023	5,659,563	1,203,251	1,846,555	32,282,819
Materials and Supplies	-	344,035	-	53,470	906,886	1,304,391
Depreciation	367,340	4,258,199	-	2,348,534	382,991	7,357,064
Bad Debts	-	29,048	1,466,939	-	8,692	1,504,679
Forgivable Loans	-	-	3,547,055	-	-	3,547,055
Miscellaneous	415,000	208,101	-	-	190	623,291
Total Operating Expenses	7,495,136	25,444,544	10,673,557	6,267,826	7,766,734	57,647,797
OPERATING INCOME (LOSS)	(25,913)	16,138,006	(8,149,249)	3,587,922	(221,406)	11,329,360
NON-OPERATING REVENUES (EXPENSES)						
Property Tax Increment	-	-	-	1,219,706	-	1,219,706
Intergovernmental Revenue (Schedule 34)	-	78,236	442,500	-	-	520,736
Gain on Sale of Assets	-	1,108	-	-	2,526	3,634
Investment Income						
Interest Earned on Investments	34,468	390,643	974,858	134,808	4,365	1,539,142
Decrease in Fair Value of Investments	(9,615)	(93,479)	(313,549)	(70,600)	(6,795)	(494,038)
Interest Earned - Other	-	28,395	-	-	-	28,395
Miscellaneous Other Revenue	110,449	12,767	984,978	-	918	1,109,112
Interest Expense						
General Obligation Bonds	-	(203,330)	-	(1,998,412)	-	(2,201,742)
Revenue Bonds	-	(588,690)	(357,759)	(2,358,685)	(190,683)	(3,495,817)
Capital Lease	(92,200)	-	-	-	-	(92,200)
Revenue Notes	-	(596,703)	(49,075)	(94,300)	-	(740,078)
Contracts	-	-	(10,823)	-	-	(10,823)
Advance from Other Funds	-	-	-	-	(119,954)	(119,954)
Amortization of Bond Issuance Costs	-	(187,785)	(181,524)	(26,091)	(3,895)	(399,295)
Loss on Retirement of Assets	-	(9,129)	-	-	(130,971)	(140,100)
Miscellaneous Other Expense	(750)	-	-	-	-	(750)
Total Non-Operating Revenues (Expenses)	42,352	(1,167,967)	1,489,606	(3,193,574)	(444,489)	(3,274,072)
Income (Loss) Before Capital Contributions and Transfers	16,439	14,970,039	(6,659,643)	394,348	(665,895)	8,055,288
Capital Contributions	1,414,348	-	-	1,780,421	32,183	3,226,952
Transfers In	246,129	-	12,832,238	3,124,810	444,760	16,647,937
Transfers Out	(1,760,476)	(10,761,430)	(1,259,507)	(358,826)	(128,634)	(14,268,873)
Change in Net Assets	(83,560)	4,208,609	4,913,088	4,940,753	(317,586)	13,661,304
TOTAL NET ASSETS, January 1	489,962	258,747,222	45,222,845	16,716,016	1,221,479	21,946,059
TOTAL NET ASSETS, December 31	406,402	262,955,831	50,135,933	21,656,769	903,893	21,640,867
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						15,365
Total change in net assets of business-type activities						13,676,669

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2004

Exhibit 9

For the Fiscal Year Ended December 31, 2004	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds	
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds		Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Loan Recipients and Other Customers	6,909,937	28,142,083	16,270,812	10,161,468	7,154,698	68,638,998	5,799,672
Receipts from Other Funds for Services Provided	5,333	669,281	-	-	586,688	1,261,302	33,314,875
Other Operating Receipts	-	15,510,574	-	-	-	15,510,574	122,059
Payment to Suppliers	(6,694,883)	(13,569,060)	(24,907,267)	(3,277,257)	(2,995,942)	(51,444,409)	(9,447,134)
Payment to Employees	(197,795)	(3,518,949)	-	-	(4,335,402)	(8,052,146)	(24,844,345)
Payment to Other Funds for Services Used	(419,544)	(1,514,631)	(909,291)	(570,018)	(184,916)	(3,598,400)	(4,495,123)
Other Operating Payments	-	(2,371,981)	-	-	-	(2,371,981)	(61)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(396,952)	23,347,317	(9,545,746)	6,314,193	225,126	19,943,938	449,943
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In from Other Funds	246,129	-	12,832,238	3,124,810	444,760	16,647,937	1,449,954
Transfers Out to Other Funds	(1,760,477)	(10,752,156)	(1,406,362)	(358,826)	(126,559)	(14,404,380)	(536,388)
Property Tax Increments Received	-	-	-	1,320,346	-	1,320,346	-
Operating Grants Received	-	253,304	442,500	-	-	695,804	2,186,028
Noncapital Contributions Received from Outside Sources	-	-	984,978	-	-	984,978	-
Advance Received From Other Funds	-	-	-	-	-	-	15,069,491
Advance Received for Pooled Cash and Investments Overdraft	-	-	-	-	161,155	161,155	133,277
Repayment of Advance Received for Pooled Cash and Investments Overdrafts	-	-	-	-	(20,942)	(20,942)	-
Proceeds from Revenue Bond Issuance	-	-	25,000,000	-	-	25,000,000	-
Proceeds from Revenue Note Issuance	-	-	5,120,000	-	-	5,120,000	-
Principal Payment on Long-Term Revenue Notes	-	-	(3,185,620)	-	-	(3,185,620)	-
Interest Paid on Long-Term Notes for Noncapital Items	-	-	(26,133)	-	-	(26,133)	-
Interest Paid on Long-Term Revenue Notes	-	-	(305,009)	-	-	(305,009)	-
Interest Paid on Noncapital Contracts	-	-	(10,823)	-	-	(10,823)	-
Payment of Bond Issuance Costs	-	-	(544,572)	-	-	(544,572)	-
Repayment of Advance Received from Other Funds	-	-	-	-	-	-	(16,413,007)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,514,348)	(10,498,852)	38,901,197	4,086,330	458,414	31,432,741	1,889,355
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Payment Received on Current Value Credits							
Principal	-	72,089	-	-	-	72,089	-
Interest	-	12,772	-	-	-	12,772	-
Proceeds from Revenue Bond Issuance	-	6,264,602	-	-	-	6,264,602	-
Proceeds from Sale of Capital Assets							
Equipment	-	1,108	-	-	2,526	3,634	23,910
Cash Received for Capital Acquisition							
From Grants	982,399	-	-	-	-	982,399	-
Principal Paid on Debt Maturities							
General Obligation Bonds	-	(190,000)	-	(1,055,000)	-	(1,245,000)	-
Revenue Bonds	-	(6,060,000)	-	(1,385,000)	(150,000)	(7,595,000)	-
Revenue Notes	-	(855,103)	-	(60,000)	-	(915,103)	-
Capital Lease	(136,126)	-	-	-	-	(136,126)	(110,292)
Payments for Acquisition and Construction of Capital Assets							
Land	-	-	-	-	(650,116)	(650,116)	-
Buildings and Structures	(20,565)	-	-	(58,268)	(81,191)	(160,024)	(30,428)
Equipment	(31,101)	(27,274)	-	-	(220,915)	(279,290)	(1,403,735)
Construction in Progress	-	(545,017)	-	(3,362,610)	(3,942)	(3,911,569)	-
Interest Paid On							
General Obligation Bonds	-	(185,645)	-	(2,023,907)	-	(2,209,552)	-
Revenue Bonds	-	(799,722)	-	(1,954,119)	(189,760)	(2,943,601)	-
Capital Lease	(95,331)	-	-	-	-	(95,331)	(142,725)
Revenue Notes	-	(606,443)	-	(97,600)	-	(704,043)	-
Payment of Bond Issuance Costs	-	(31,941)	-	-	-	(31,941)	-
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	699,276	(2,950,574)	-	(9,996,504)	(1,293,398)	(13,541,200)	(1,663,270)

continued

City of Saint Paul, Minnesota
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2004

Exhibit 9

For the Fiscal Year Ended December 31, 2004	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investment Securities	-	(453,321)	(10,780,000)	-	-	(11,233,321)	-
Interest and Dividends Received	37,527	288,368	617,288	104,293	28,329	1,075,805	-
Decrease in Fair Value of Investments	(9,615)	(61,507)	(134,807)	(50,744)	(16,814)	(273,487)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	27,912	(226,460)	(10,297,519)	53,549	11,515	(10,431,003)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,184,112)	9,671,431	19,057,932	457,568	(598,343)	27,404,476	676,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,063,498	28,931,389	10,906,307	16,592,244	2,025,069	61,518,507	10,296,808
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,879,386	38,602,820	29,964,239	17,049,812	1,426,726	88,922,983	10,972,836
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating Income (Loss)	(25,913)	16,138,006	(8,149,249)	3,587,922	(221,406)	11,329,360	(3,291,477)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities							
Depreciation	367,340	4,258,199	-	2,348,534	382,991	7,357,064	2,097,364
Increase (Decrease) in Allowance for Uncollectible Accounts/Loans	-	(125,335)	4,044,639	-	6,663	3,925,967	38,290
Non-operating Miscellaneous Other Revenue Received	110,449	12,767	-	-	918	124,134	13,815
Non-operating Miscellaneous Other Expenses Paid	(750)	-	-	-	-	(750)	-
Changes in Assets and Liabilities (Increase) Decrease in							
Accounts Receivable	(365,286)	270,495	(11,032)	464,820	103,537	462,534	(206,111)
Unbilled Accounts Receivable	-	-	-	-	16,405	16,405	33,568
Assessments Receivable	-	2,572,443	-	-	-	2,572,443	-
Notes and Loans Receivable	-	-	(4,229,441)	-	-	(4,229,441)	947,963
Accrued Interest Receivable	-	-	(254,499)	-	-	(254,499)	(178,810)
Due from Other Funds	-	148,691	(326,632)	(159,100)	23,541	(313,500)	(385,203)
Due from Component Units	-	(168,935)	-	-	(29,648)	(198,583)	(34,277)
Due from Other Governmental Units	-	58,310	509	-	83,335	142,154	243,530
Inventories	-	47,853	-	-	(93,307)	(45,454)	16,827
Prepaid Items	(19,627)	-	-	-	-	(19,627)	697,928
Land Held for Resale	-	-	(1,135,000)	-	-	(1,135,000)	-
Increase (Decrease) in							
Accrued Salaries Payable	632	15,170	-	-	(6,534)	9,268	225,184
Compensated Absences Payable	4,942	7,019	-	-	64,118	76,079	53,143
Accounts Payable	(169,662)	(195,579)	268,252	75,042	(69,390)	(91,337)	(471,613)
Contracts and Retention Payable	-	-	251,566	-	-	251,566	-
Due to Other Funds	39	300,676	(4,859)	(3,007)	(22,721)	270,128	698,843
Due to Component Units	-	7,536	-	-	-	7,536	7,411
Due to Other Governmental Units	-	-	-	(18)	(13,376)	(13,394)	(15,543)
Unearned Revenue	(299,116)	-	-	-	-	(299,116)	(40,889)
Total Adjustments	(371,039)	7,209,310	(1,396,497)	2,726,271	446,532	8,614,577	3,741,420
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(396,952)	23,347,316	(9,545,746)	6,314,193	225,126	19,943,937	449,943

continued

City of Saint Paul, Minnesota
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2004

Exhibit 9

For the Fiscal Year Ended December 31, 2004	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and Investments with Treasurer	1,081,345	27,922,607	15,153,509	6,554,920	1,420,376	52,132,757	10,971,936
Imprest Funds	-	150	-	-	6,350	6,500	900
Restricted Cash							
For General Obligation Bond Current Debt Service	-	31,040	-	5,226,594	-	5,257,634	-
For Revenue Bond Current Debt Service	-	574,154	12,149,970	4,694,215	-	17,418,339	-
For Revenue Bond Operation and Maintenance	-	3,162,757	-	574,083	-	3,736,840	-
For Revenue Bond Construction	-	2,733,289	2,660,760	-	-	5,394,049	-
For Water Pollution Abatement Current Debt Service	-	391,710	-	-	-	391,710	-
For Cash for Budget and Rate Stabilization	-	3,787,113	-	-	-	3,787,113	-
For Cash for Pedestrian Connection	248,068	-	-	-	-	248,068	-
For Cash for Ramp Capital Projects	179,256	-	-	-	-	179,256	-
For Cash for Rental Subsidies/Promotion Reserve	370,717	-	-	-	-	370,717	-
TOTAL CASH AND CASH EQUIVALENTS	1,879,386	38,602,820	29,964,239	17,049,812	1,426,726	88,922,983	10,972,836
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Capital Assets Purchased on Account							
Land	-	-	-	-	251,162	251,162	-
Buildings and Structures	-	-	-	42,299	474,173	516,472	-
Equipment	-	27,596	-	-	-	27,596	19,738
Construction in Progress	-	-	-	2,674,519	15,329	2,689,848	-
Portion of Advance to Other Funds in Exchange for Capital Asset - Construction in Progress	-	23,366	-	-	-	23,366	-
Contributions of Capital Assets	-	-	-	1,780,421	18,608	1,799,029	3,187,873
Loss on Sale of Assets	-	-	-	-	-	-	(3,718)
Loss on Retirement of Assets	-	(9,129)	-	-	(130,971)	(140,100)	-

The notes to the financial statements are an integral part of this statement.

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City of Saint Paul, Minnesota
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2004

Exhibit 10

ASSETS

Cash and Investments with Treasurer	2,101,777
Receivables	
Property Taxes - Due from Ramsey County	5,682
Accounts (net of allowance for estimated uncollectibles)	12,283
Accrued Interest	5,464
Due from Other Funds	285,054
Due from Other Governmental Units	<u>1,706</u>
TOTAL ASSETS	<u><u>2,411,966</u></u>

LIABILITIES

Accounts Payable	1,168,397
Due to Other Governmental Units	<u>1,243,569</u>
TOTAL LIABILITIES	<u><u>2,411,966</u></u>

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2004

Exhibit 11

	Regional Water Services	Port Authority	Total
ASSETS			
Current Assets			
Cash and Investments	1,965,780	1,922,327	3,888,107
Investments	13,903,051	-	13,903,051
Departmental Cash	161,892	-	161,892
Imprest Funds	7,000	-	7,000
Restricted Cash and Cash Equivalents			
Cash for Grants and Other Contributions	11,331	-	11,331
Cash for General Obligation Bond Debt Service	-	282,535	282,535
Investments for Revenue Bond Debt Service	1,799,968	2,408,286	4,208,254
Receivables			
Taxes	-	530,000	530,000
Accounts (net of allowance for Estimated Uncollectibles)	4,049,254	8,618,551	12,667,805
Assessments	2,598,519	-	2,598,519
Loans	-	55,211	55,211
Accrued Interest	193,878	-	193,878
Due from Primary Government	85,807	-	85,807
Due from Other Governmental Units	324,080	-	324,080
Inventory - Materials and Supplies	1,547,840	172,988	1,720,828
Prepaid Items	-	1,007,396	1,007,396
Total Current Assets	26,648,400	14,997,294	41,645,694
Noncurrent Assets			
Restricted Assets			
Cash for Port Authority Operations	-	4,765,565	4,765,565
Investments for Port Authority Operations	-	4,172,262	4,172,262
Investments for Other Funds Held in Trust	-	3,980,964	3,980,964
Investments for Revenue Bond Future Debt Service	3,473,996	6,339,173	9,813,169
Investments for Revenue Bond and Notes	-	3,153,761	3,153,761
Investments for Revenue Bond Operations and Maintenance	1,024,893	-	1,024,893
Investments for City Obligations	-	1,830,625	1,830,625
Accrued Interest Receivable	-	54,095	54,095
Total Restricted Assets	4,498,889	24,296,445	28,795,334
Other Assets			
Deferred Charges	93,099	1,089,540	1,182,639
Other Long-Term Receivables	153,585	5,668,404	5,821,989
Taxes Receivable	-	18,811,346	18,811,346
Total Other Assets	246,684	25,569,290	25,815,974
Capital Assets			
Land	1,347,735	8,171,568	9,519,303
Buildings and Structures	42,034,107	60,606,394	102,640,501
Less: Accumulated Depreciation	(8,890,827)	(23,069,688)	(31,960,515)
Public Improvements	188,244,039	-	188,244,039
Less: Accumulated Depreciation	(55,076,419)	-	(55,076,419)
Equipment	31,442,441	18,043,685	49,486,126
Less: Accumulated Depreciation	(15,641,818)	(15,719,675)	(31,361,493)
Construction in Progress	25,162,817	230,933	25,393,750
Total Capital Assets	208,622,075	48,263,217	256,885,292
Total Noncurrent Assets	213,367,648	98,128,952	311,496,600
Total Assets	240,016,048	113,126,246	353,142,294

continued

City of Saint Paul, Minnesota
STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2004

Exhibit 11

	Regional Water Services	Port Authority	Total
LIABILITIES			
Current Liabilities (Payable from Current Assets)			
Accrued Salaries Payable	712,257	892,046	1,604,303
Compensated Absences Payable	85,343	135,000	220,343
Claims and Judgments Payable	444,102	1,374,460	1,818,562
Accounts Payable	1,965,093	3,167,029	5,132,122
Contract Retention Payable	672,554	-	672,554
Due to Primary Government	2,531,560	-	2,531,560
Due to Other Governmental Units	1,179,429	708,500	1,887,929
Unearned Revenue	229,586	2,504,532	2,734,118
Revenue Notes Payable	1,391,095	-	1,391,095
Accrued Interest Payable on Revenue Notes	66,630	-	66,630
Other Liabilities	-	884,562	884,562
Total Current Liabilities (Payable from Current Assets)	9,277,649	9,666,129	18,943,778
Current Liabilities (Payable from Restricted Assets)			
Accounts Payable	11,876	-	11,876
General Obligation Bonds	-	660,000	660,000
Revenue Bonds Payable	915,000	1,132,829	2,047,829
Revenue Notes Payable	-	343,382	343,382
Accrued Interest Payable	-	-	-
General Obligation Bonds	-	294,065	294,065
Revenue Bonds	73,747	1,373,752	1,447,499
Total Current Liabilities (Payable from Restricted Assets)	1,000,623	3,804,028	4,804,651
Noncurrent Liabilities			
General Obligation Bonds Payable	-	23,065,000	23,065,000
Less: Unamortized Discount	-	(480,883)	(480,883)
Revenue Bonds Payable	19,270,000	59,915,793	79,185,793
Less: Unamortized Discount	-	(728,790)	(728,790)
Revenue Notes Payable	13,977,832	11,767,753	25,745,585
Less: Unamortized Discount	(283,217)	-	(283,217)
Accrued Interest Payable on Revenue Note	-	2,604,652	2,604,652
Capital Lease Payable	-	18,313	18,313
Compensated Absences Payable	1,604,342	-	1,604,342
Claims and Judgments Payable	1,401,571	-	1,401,571
Total Noncurrent Liabilities	35,970,528	96,161,838	132,132,366
Total Liabilities	46,248,800	109,631,995	155,880,795
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	173,351,365	(23,731,331)	149,620,034
Restricted	6,225,110	10,097,357	16,322,467
Unrestricted	14,190,773	17,128,225	31,318,998
Total Net Assets	193,767,248	3,494,251	197,261,499

The notes to the financial statements are an integral part of this statement.

City of Saint Paul, Minnesota
STATEMENT OF ACTIVITIES
ALL DISCRETELY PRESENTED COMPONENT UNITS
For The Fiscal Year Ended December 31, 2004

Exhibit 12

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Regional Water Services	Port Authority	Totals
Regional Water Services	32,044,105	32,963,718	77,960	1,610,383	2,607,956	-	2,607,956
Port Authority	43,986,694	35,192,360	5,285,399	-	-	(3,508,935)	(3,508,935)
Total Component Units	76,030,799	68,156,078	5,363,359	1,610,383	2,607,956	(3,508,935)	(900,979)
General Revenues							
Taxes							
Property Taxes, Levied for Debt Service					-	2,043,797	2,043,797
Investment Income							
Interest Earned on Investments					1,011,861	781,716	1,793,577
Decrease in Fair Value of Investments					(135,440)	-	(135,440)
Gain on Sale of Capital Assets					103,034	6,779,781	6,882,815
Miscellaneous					69,611	-	69,611
Total General Revenues					1,049,066	9,605,294	10,654,360
Change in Net Assets					3,657,022	6,096,359	9,753,381
Net Assets - January 1					190,110,226	(2,602,108)	187,508,118
Net Assets - December 31					193,767,248	3,494,251	197,261,499

The notes to the financial statements are an integral part of this statement.

CITY OF SAINT PAUL
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL
SECTION

NOTES TO THE FINANCIAL STATEMENTS

City of Saint Paul

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Note I. Form of Government

The City of Saint Paul, Minnesota has a mayor-council form of government. The mayor is elected by the voters of the City at large for four years on a full-time basis. The City is divided into seven wards. Voters of each ward elect a member of the City Council for four years on a part-time basis. Executive power is vested in the mayor; legislative power is vested in the Council. The mayor has veto power, which the Council may override with a vote of five members.

Note II. Financial Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*, the City's financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable for the component unit if it appoints a voting majority of the component unit's governing body and is able to impose its will on the component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Saint Paul (the primary government) and its component units (legally separate organizations). The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. Blended component units' financial data is reported as part of the primary government and are reported with similar funds of the primary government. Discretely presented component units' financial data is reported in a column separate from the financial data of the primary government to emphasize that they are legally separate from the City.

Blended Component Units. The following component units have been presented as blended component units because the component units' governing bodies are the same as the governing body of the City.

Housing and Redevelopment Authority of the City of Saint Paul (HRA)

The Housing and Redevelopment Authority of the City of Saint Paul (HRA) was established to undertake urban renewal programs. These programs strive to redevelop the residential, commercial and industrial areas of the City of Saint Paul and to provide adequate jobs, a sound fiscal base and a variety of affordable housing for City residents. The City of Saint Paul's City Councilmembers act as the HRA Board. The Authority's budget and tax levy are approved by the City Council. The City has a general obligation pledge on certain HRA debt. Separate financial statements for the HRA can be obtained from the City of Saint Paul, Department of Planning and Economic Development, 1400 City Hall Annex, 25 West Fourth Street, Saint Paul, MN 55102.

Saint Paul Library Agency

The Saint Paul Library Agency was established in 2003 and is responsible for operating the City's public library system. This system provides reading materials to meet the interests of all ages, responds to the community's need for information and facilitates lifelong learning to enrich the quality of life in the community. The City of Saint Paul's City Councilmembers act as the Library Board. The agency's budget is approved by the Board. The agency's tax levy is approved by City Council. The City has a general obligation pledge on Library debt. The Library Agency consists of an operating fund, debt service fund and a capital improvement fund. These funds are incorporated into the City's financial report.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements includes the financial data of the City's other component units. The governing bodies of these component units are not substantively the same as the governing body of the primary government and the component units do not provide services exclusively to the primary government.

Saint Paul Regional Water Services

The Saint Paul Regional Water Services provides safe quality water to Saint Paul and surrounding communities at a reasonable price. The Board of Water Commissioners consists of seven members. Five board members are appointed by the Mayor with the consent of the City Council, three of whom are City Councilmembers and two are citizens. The remaining two board members are appointed by suburban city councils. The City Council approves the Regional Water Services' water rates and the City has issued general obligation bonded debt on behalf of Regional Water Services. As part of the annual audit performed by the State Auditor's Office, the Regional Water Services' financial statements have been included in their audit. Separate financial statements can be obtained from the Regional Water Services; Business Division; 1900 Rice Street; Saint Paul, MN 55113.

Port Authority of the City of Saint Paul

The Port Authority of the City of Saint Paul was established to promote and develop commercial, industrial and manufacturing enterprises and encourage employment within the City. The Mayor appoints the Port Authority's board of commissioners with the consent of the City Council. Two of the seven board of commissioners are City Councilmembers. The Port Authority has issued general obligation debt and the Authority's development activities are financed in part with tax increment financing. It should be noted that other debt issued by the Port Authority, including industrial development revenue bonds, are not liabilities of the City of Saint Paul. The Port Authority considers these bonds as no-commitment debt, and they are excluded from its financial statements. The Authority defines no-commitment debt as debt for which the Authority has no further financial obligation. The industrial development bonds do not constitute indebtedness of the City and are secured solely by revenues from the commercial organizations on whose behalf the bonds are issued.

The Port Authority's component unit, Capital City Properties (CCP), is a Minnesota not-for-profit corporation established in 1991 for the purpose of performing the functions and carrying out the public purposes of the Port Authority. All of the members of the board of directors of CCP are either commissioners or staff of the Port Authority. CCP operates the Radisson Riverfront Hotel St. Paul, Radisson City Center Hotel St. Paul and Capital City Plaza Parking Garage St. Paul. The operating results of CCP are included in the Port Authority financial statements.

The City assumes no responsibility for the day-to-day operations of the Port Authority, nor is it responsible for financing deficits. Separate financial statements can be obtained from the Port Authority of the City of Saint Paul, Chief Financial Officer, 1900 Landmark Towers, 345 St. Peter Street, Saint Paul, MN 55102.

Related Organizations. The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Related organizations are not included in the City's reporting entity.

The Public Housing Agency of the City of Saint Paul owns and operates housing projects for low income, elderly and handicapped families. The commissioners of the Public Housing Agency are appointed by the City Council. The City does not provide funding, has no obligation for the debt of the Agency, and cannot impose its will on the Agency.

The Riverfront Redevelopment Corporation was established to effect the planning and implementation of the development and preservation of the Mississippi River Corridor within Saint Paul. The operations of the Redevelopment Corporation are managed by a board of directors consisting of not less than eight, nor more than seventeen members. All members of the board of directors are appointed by the Mayor with the consent of the City Council. Four of the directors of the corporation are designated as the "City representatives."

These are (1) Mayor or the Mayor's designee, (2) two members of the City Council and (3) the Director of the City of Saint Paul, Department of Planning and Economic Development. The City has no ability to impose its will to significantly influence the programs, projects or level of services performed or provided by the Riverfront Redevelopment Corporation. The City is not responsible for funding debts, operating deficiencies and/or disposing of surpluses.

Joint Venture. The Minneapolis/Saint Paul Housing Finance Board (the Board) was established in accordance with a Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul (HRA), the Minneapolis Community Development Agency (MCDA), and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The governing bodies of the HRA and the MCDA each appoint three of the six members of the Board. The Board was created for the public purpose of providing decent, safe, sanitary and affordable housing to the residents of the City of Saint Paul and the City of Minneapolis. The powers exercised by the Board include the power to undertake financing programs to implement individual components of the housing plan for each city and to issue revenue bonds to finance such programs. All bonds are special limited obligations of the Board and shall be payable only out of funds specifically pledged for each issue. Total net assets at December 31, 2004 was \$13,801,545. The 2004 operations resulted in a decrease of \$591,023 to net assets.

During 2004, the Board made a distribution of \$977,478 to the HRA, and a distribution of \$2,027,560 to the MCDA. The distribution to the HRA was in the form of loans receivable and was recorded in the HRA Loan Enterprise Fund as a noncapital contribution.

Upon dissolution of the Board, all properties acquired by the Board and any surplus monies shall be distributed to the HRA and the MCDA in the proportion and otherwise pursuant to directions provided in the related indenture of trust or other bond documents. If properties acquired by the Board and any surplus monies are not traceable to a particular bond issue or the indenture is silent as to distribution of the assets upon discharge of the issue, the assets shall be distributed on the basis of the amount of funds each entity has contributed that would affect those assets. The respective percentage shares of the HRA and the MCDA in the Board's assets, liabilities and equity were not determined at December 31, 2004. There has been no investment made by the HRA in the joint venture. Thus, the financial statements do not reflect an equity interest in the joint venture. Complete financial statements of the Board can be obtained from the MCDA, Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, MN 55401.

Note III. Summary of Significant Accounting Policies

The financial statements of the City of Saint Paul have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and are prepared on the full accrual basis. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City allocates indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity/net assets, revenues and expenditures/expenses. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

Major Governmental Funds

- General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Library Agency – accounts for the primary operating activities of the Library to provide a full range of library services.
- HRA General Fund – accounts for the HRA's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- General Debt Service – accounts for resources accumulated and payments made for principal and interest on long-term obligations other than tax increment district or enterprise fund debt.
- HRA General Debt Service – accounts for HRA resources accumulated and payments made for principal and interest on long-term obligations other than enterprise fund debt.
- Capital Improvement Projects – accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

The City reports the following major enterprise funds:

Major Enterprise Funds

- RiverCentre Operating – accounts for the operation and maintenance of the RiverCentre facilities, which are managed by the RiverCentre Authority.
- Sewer Utility – accounts for all fees collected from the customers connected to the City sewer system and for all expenses of operating this system.
- HRA Loan Enterprise – accounts for loans issued under HRA housing and business programs.
- HRA Parking – accounts for parking revenues which are used for acquisition, construction, operation and maintenance of HRA-owned parking facilities.

The City reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Special Projects – General Government
- Finance Special Projects
- Cable Communications
- Charitable Gambling Enforcement
- Debt – Capital Improvement
- Utilities Rate Investigation Administration
- Property Code Enforcement
- License and Permit
- Police Services – Pension Assets
- Crime Laboratory
- Parking Enforcement
- Special Projects Police
- Police Officers Clothing
- Fire Responsive Services
- Fire Fighting Equipment
- Fire Protection Clothing
- Right of Way Maintenance
- Parking Meter Collections
- Lighting Maintenance Assessment Districts
- Right of Way
- Solid Waste and Recycling
- Public Health
- Special Projects – Division of Health
- Municipal Stadium
- Forestry Special
- Como Campus
- Special Recreation Activities
- Municipal Athletic Programming
- Recreation Centers Special Accounts
- Charitable Gambling
- Parks and Recreation Opportunity
- Parks and Recreation Grants and Aids
- Library Aids and Grants
- Rella Havens Memorial Fund
- Community Development Block Grant
- State Grant Programs
- HRA Federal and State Programs
- Section 108 Programs

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

- G.O. Special Assessment – Streets
- City Revenue Bonds and Other Long-Term Debt
- Library Debt
- Revenue Notes and Other Long-Term Debt

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

- Capital Improvement Bonds
- City Sales Tax
- Library Capital Projects
- City Downtown Capital Projects
- HRA Tax Increment

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs; that is, for the benefit of the government or its citizenry.

- Japanese Gardens
- Hoffman Memorial

Non-Major Enterprise Funds

Enterprise Funds are used to report any activity for which a fee is charged to external users of goods or services, and must be used for activities which meet certain debt or cost-recovery criteria.

- Special Services
- Rice and Arlington Sports Dome
- Watergate Marina
- Impounding Lot
- RiverPrint Saint Paul/Ramsey County

In addition, the City reports the following fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis, including attorney, purchasing, technology, equipment, engineering and administrative services.

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. These funds include employee withholding; funds payable to the State of Minnesota for sales and use tax, building permit surcharge and unclaimed property; and others.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements – Governmental Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues

Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance the expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Nonexchange Transactions

Derived tax revenue transactions result from assessments imposed by governments on exchange transactions. Hotel-motel tax and City sales tax are reported as revenue when the underlying exchange occurs and the receivable amount is available.

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, franchise fees and capital improvement special assessments are imposed nonexchange transactions. Revenues from property taxes and capital improvement special assessments are recognized in the period for which they were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property taxes, franchise fees and capital improvement special assessments receivable which are not available are reported as deferred revenue, and will be recognized as revenue in the fiscal year that they become available. The City considers these revenues as available if they are collected within sixty days after year end.

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and may also establish time requirements. Federal and state grants mandating the City perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when the eligibility and time requirements are met, usually when the corresponding expenditure is incurred, using the guidelines of the legal and contractual requirements of the individual programs.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations and donations. The provider may establish purpose restrictions and eligibility requirements. Revenues are recognized in the year to which they apply according to statute or contract. Gifts and contributions from individuals and miscellaneous revenues are also considered voluntary nonexchange transactions, and are generally recognized when received in cash because they are not measurable until received. Tax credits paid by the state (included in intergovernmental revenue) are recognized as revenue in the fiscal year that they become available. The City considers revenues from tax credits paid by the state as available if they are collected within sixty days after year end.

Exchange Transactions

Exchange transactions include revenues such as interest earned, service-type special assessments, fees, sales and services, licenses and permits. Sales and services, interest earned and service-type special assessments are reported as revenue when they become both measurable and available to finance expenditures of the fiscal period. The City considers these revenues as available if they are collected within sixty days after year end. Licenses, permits and fees are reported as revenue when received in cash, because they are usually not measurable until received.

Expenditures

Expenditures are recorded under the modified accrual method when the fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Fund Financial Statements – Proprietary Funds and Fiduciary Funds

Proprietary funds, consisting of enterprise and internal service funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Material unbilled accounts receivables are recorded at year end.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's Fiduciary Funds consist solely of Agency Funds. Agency Funds do not have a measurement focus, but are reported on an accrual basis of accounting.

Fund Financial Statements – All Funds

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The City maintains a general portfolio, which is a pool of investments covering pooled cash and cash equivalents. The City's Treasury Division also manages the deposit and investment function of the Regional Water Services discretely presented component unit. Each fund's portion of this pool is displayed on the financial statements within "Cash and Investments with Treasurer." Funds which have overdrawn their equity in the cash and investments pool report this overdraft as an interfund payable. The City's General Fund has reported the offsetting interfund receivable. At December 31, 2004, the following amounts were reported as "Cash and Investments with Treasurer" in the General Fund:

	<u>General Fund</u>
Equity in Cash and Investments Pool	\$ 20,410,790
Less Advance to Other Funds for Overdrafts	<u>(3,462,227)</u>
Cash and Investments with Treasurer	<u><u>\$ 16,948,563</u></u>

See Note VI. F. for a detail listing of funds reporting an interfund payable for pooled cash and investments overdrafts.

Cash equivalents are cash on hand, cash in bank and highly-liquid investments adjusted to fair value having original maturities (time span from purchase date to maturity date) of three months or less. Cash equivalents are identified only for the purpose of the Statement of Cash Flows. Included in the classification of cash equivalents are cash and investments with treasurer, cash and investments of imprest funds and restricted cash.

In addition, the City invests non-pooled cash within various funds. In accordance with Governmental Accounting Standards Board Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (Statement 31), the City's investments are reported at fair value with recognition of the corresponding changes in fair value of investments reported as revenue in the year in which the change occurred. Accordingly, investments are stated at fair value based upon quoted market prices at December 31, 2004. Investments in nonparticipating interest-earning contracts, such as savings accounts and nonnegotiable certificates of deposit are reported at cost. Money market investments and participating interest-earning investment contracts (negotiable certificates of deposit) are reported at amortized cost, since these investments had a remaining maturity of one year or less at the time of purchase. Money market investments are short-term, highly-liquid debt instruments including commercial paper, bankers acceptances and U.S. Treasury and agency obligations.

Since it is the City's practice to ensure that investments can be held to maturity if necessary, a portion of fund equity in the governmental funds is designated for net unrealized gains if applicable. The amounts of unrealized gains or losses are included in investment income as an increase (decrease) in fair value of investments. In 2004, the City recorded a "decrease in fair value of investments" as investment income of \$(2,467,886) for governmental and proprietary funds. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year were included as part of the change in the fair value of investments reported in the current year.

In accordance with legal provisions, investment earnings from pooled deposits and investments are recorded in the following funds:

General Fund

Special Revenue Funds:

- HRA General Fund
- Special Projects – General Government
- Debt – Capital Improvement
- Police Services – Pension Assets
- Special Projects Police
- Municipal Athletic Programming
- Charitable Gambling
- Parks and Recreation Opportunity
- Rella Havens Memorial Fund
- State Grant Programs
- Section 108 Programs

Debt Service Funds:

- General Debt Service
- HRA General Debt Service
- G.O. Special Assessment – Streets
- City Revenue Bonds and Other Long-Term Debt
- Library Debt
- Revenue Notes and Other Long-Term Debt

Capital Projects Funds:

- Capital Improvement Projects
- Capital Improvement Bonds
- City Sales Tax
- Library Capital Projects
- HRA Tax Increment

Permanent Funds:

- Japanese Gardens
- Hoffman Memorial

Enterprise Funds:

- RiverCentre Operating
- Sewer Utility
- HRA Loan Enterprise
- HRA Parking
- Special Services
- Rice and Arlington Sports Dome

Investment earnings are allocated based on average monthly cash balances.

See Note VI. A. for further information.

2. Receivables

Property Taxes

Property tax levies are set by the City Council in October each year, and are certified to Ramsey County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. Personal property taxes on leased government-owned property may be paid in two equal installments on May 15 and October 15; property taxes on other personal property are to be paid in full on May 15.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, and are fully offset by deferred revenue, because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided, because such amounts are not expected to be material.

Accounts Receivable

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$1,365,754.

Interfund Receivables Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Notes and Loans Receivable

Notes and loans (hereafter referred to as "loans") have been issued to financially assist private developers in various Saint Paul development projects or to provide housing or commercial rehabilitation financing for Saint Paul property owners. All loans are secured by first or second property mortgages, with the exception of the STAR Program loans, which are not always secured.

Loans receivable in governmental funds are reported as an asset in the amount of loan proceeds disbursed less collections on principal. In order to satisfy federal grant reporting requirements, deferred revenue of an equal amount to the asset is also reported on the respective governmental fund balance sheet and revenues are reported when principal payments are received from the loan recipient. An allowance for uncollectible loans, which offsets the total gross loans receivables, is recognized for the amount of loans receivable for which collection is doubtful or questionable.

Deferred revenue is also reduced by the amount of the allowance for uncollectible loans. At the time of the disbursement of the loan, expenditures and loans receivable are debited in the amount of the loan issued, with the loans receivable being offset by a credit to deferred revenue. In the HRA Federal and State Programs Special Revenue Fund, in order to satisfy federal grant reporting requirements, deferred revenue of an equal amount to the asset is also reported in the balance sheet and revenues are reported when principal payments are received from the loan recipient. However, in the case of the loan receivable from Central Towers Limited Partnership in the amount of \$2,100,000, an equal amount of \$2,100,000 is reported as "due to other governmental units" on the balance sheet, since any payments on this loan receivable are owing to the U.S. Department of Housing and Urban Development.

For enterprise funds, loans receivable are reported as an asset in the amount of loan proceeds disbursed less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivable, is recognized for the amount of loans receivable for which collection is doubtful or questionable.

The allowance for uncollectible loans is based upon an analysis of credit risk and payment delinquency.

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Proprietary fund inventories are generally used for construction, for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors which reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

4. Land Held for Resale

Land is acquired by the HRA for subsequent resale for redevelopment purposes and not as an investment program. In order to entice development, the land is often resold at prices substantially lower than the HRA's cost. Land Held for Resale is reported as an asset at the net realizable value in the fund which acquired it. Deferred revenue of an equal amount is also reported on the respective governmental fund balance sheet. In governmental funds, in order to satisfy federal grant reporting requirements, land acquired is reported as an expenditure in the amount of the acquisition cost and as federal revenue for the same amount. When the land is subsequently sold, miscellaneous program income is recognized for the sale amount. Future draw downs from the federal government for reimbursement of expenditures incurred are adjusted by program income available at that date.

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt.

6. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, buildings, improvements, equipment and infrastructure (e.g., streets, bridges and sewers), are defined by the City as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life of at least three years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date received. Certain assets for which actual costs are not available have been valued on the basis of a professional valuation that determined their approximate historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Prior to January 1, 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing Statement 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged, but not required until January 1, 2006, when Statement 34 required the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2004, the City has retroactively reported all major infrastructure networks (streets and bridges).

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to related capital asset accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from capital asset accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statements of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is spread over the assets' estimated useful lives using the straight line method of depreciation. The range of estimated useful lives and method of depreciation by type of asset is as follows:

Asset	Method	Years
Buildings and Structures	Straight-line	15-75
Public Improvements	Straight-line	15-30
Equipment	Straight-line	3-20
Infrastructure	Straight-line	20-100

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

7. Issuance Costs and Discounts

In governmental funds, debt issuance costs and bond discounts are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized on a straight-line basis over the term of the debt issue.

8. Compensated Absences

The compensated absences liability includes earned but unpaid vacation and compensatory time, vested sick leave, an estimate of current vesting sick leave that will eventually vest, and salary-related payments (fringe benefits) associated with the payment of vacation and sick leave balances.

Employees earn vacation based on years of service and their bargaining unit. Vacation must be used in the year it is earned, except for 15 days, which may be carried over to the following year. Employees are paid 100% of their accumulated vacation pay when they terminate their employment.

Sick leave is earned at the rate of .0576 hours per hour up to a maximum of 15 days per year and may be accumulated indefinitely. Terminated employees receive severance pay based upon unused vested sick leave. Eligibility requirements and maximum allowable amounts vary depending upon an employee's bargaining unit.

All vested vacation is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

9. Arbitrage Rebate

Expenditures/expenses for arbitrage rebate are recognized annually in the appropriate funds at the time of the interest payment closest to the date of the bonds. For the fiscal year ended December 31, 2004, the City reported \$280,000 of expenditures relating to arbitrage rebate. These amounts are set aside in the Arbitrage Rebate Agency Fund for subsequent payment to the federal government.

10. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The HRA has issued Industrial Development Homeownership Mortgage, and Rental Housing Revenue Bonds to assist developers, businesses and low- to moderate-income homeowners in projects which improve the economic and housing conditions of the City. The bonds are secured by the financed property and are payable solely from the revenues of the individual commercial/industrial or housing projects. The bonds do not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the HRA, nor is the HRA subject to any liability thereon. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Conduit bonds issued subsequent to January 1, 1996 have an outstanding principal balance of \$1.038 billion at December 31, 2004. The aggregate principal amount payable for conduit bonds issued prior to January 1, 1996 could not be determined; however, their original issue amounts totaled \$2.9 billion. There were 185 conduit bonds issued prior to January 1, 1996 and 72 conduit bonds issued subsequent to January 1, 1996.

11. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

12. Equity Classifications

Government-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including infrastructure, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance amounts are not available for appropriation or are legally restricted by outside parties for a specific purpose. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated.” The balance of unreserved fund balance is labeled “undesignated,” which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

Note IV. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets

Exhibit 4 is a reconciliation between fund balance – total governmental funds as reported in governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. Details of most of the elements of that reconciliation are as follows:

One element of the reconciliation states that “Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.” These assets, which include land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress are reported in the statement of net assets as shown below.

Historical Cost of Capital Assets	\$ 1,460,163,465
Accumulated Depreciation	<u>(384,365,507)</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ 1,075,797,958</u></u>

Another element of the reconciliation states that “Some receivables that are not currently available are reported as deferred revenue in the fund financial statements, but are recognized as revenue when earned in the government-wide statements.” Below are details of that difference.

Deferred Revenue	
Property Taxes	\$ 2,610,067
Gross Earnings Franchise Fee	7,164,967
General Government Revenues	1,927,460
Public Safety Revenues	1,238,234
Highways and Streets Revenues	33,592,539
Sanitation Revenues	2,376,381
Culture and Recreation Revenues	4,547,656
Housing and Economic Development Revenues	6,939,626
Other Revenues and Credits	<u>10,462,240</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ 70,859,170</u></u>

Another element of the reconciliation states that “Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.” They are, however, reported in the government-wide statements. Long-term liabilities at the end of the year include the following:

Bonds Payable	\$ (340,350,942)
Discount and Premium	(1,155,849)
Revenue Notes Payable	(61,422,179)
Capital Lease Payable	(20,979,319)
Compensated Absences Payable	(16,835,576)
Claims and Judgments Payable	(20,449,971)
Accrued Interest	(5,218,346)
Deferred Charge - Unamortized Issuance Costs	<u>1,632,916</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Assets of Governmental Activities	<u><u>\$ (464,779,266)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit 6 is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Net Assets, the cost of those assets is capitalized and depreciated over their estimated useful lives with depreciation expense reported in the Statement of Activities.” The details of this \$26,473,104 difference are as follows:

Capital outlay is reported as an expenditure in the fund financial statements	\$ 53,549,908
Add: Some items reported as functional expenditures were capitalized	2,318,775
Depreciation is reported in the government-wide statements	<u>(29,395,579)</u>
Net Excess of Capital Outlay Over Depreciation	<u><u>\$ 26,473,104</u></u>

Another element of that reconciliation states that "Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discount and similar items, when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. The details of this \$11,646,688 difference are as follows:

Debt Issued or Incurred:		
General Obligations Bonds	\$ (37,730,000)	
Revenue Bonds	(4,995,000)	
Refunding Bonds	(3,270,000)	
Capital Lease	(1,224,351)	
Total Debt Issued		\$ (47,219,351)
Principal Payments		
General Obligations Bonds	24,750,000	
Revenue Bonds	1,693,058	
Refunded Bonds	5,340,000	
Notes	2,694,166	
Capital Lease	812,031	
Total Principal Payments		35,289,255
Deletion of Notes and its Recognition as a Contribution		<u>283,408</u>
Net Adjustment to Decrease Net Changes in Fund Balances -		
Total Governmental Funds to Arrive at Changes		
in Net Assets of Governmental Activities		<u>\$ (11,646,688)</u>

Another element of that reconciliation states that "Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$2,528,064 difference are as follows:

Compensated Absences	\$ (692,649)	
Claims and Judgments	(1,735,412)	
Accrued Interest on Debt	(93,307)	
Amortization of Bond Issuance Costs, Discount and Premium	(6,696)	
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental		
Funds to Arrive at Changes in Net Assets of Governmental Activities		<u>\$ (2,528,064)</u>

Note V. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

Budget Control

Appropriations are controlled administratively at the activity level within multi-year budgeted funds. Governmental funds with annually-adopted budgets are controlled administratively at the activity level within the following major object levels of expenditure: salaries, fringes, debt service, other spending and transfers out. Proprietary funds with annually-adopted budgets are controlled administratively at the fund level within the same major object levels of expenditure as in governmental funds. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level, except for the General Fund, which is at the department/office level.

1. General Budget Procedure – City Funds

The City Council followed these procedures in establishing the 2004 budgets:

- a. On August 7, 2003, the Mayor presented his budget to the City Council for the following calendar year. The budget included proposed expenditures and advances and the means of financing them.
- b. The City Council held a public hearing on December 9, 2003 to obtain taxpayer comments.
- c. The budget was legally adopted through passage of council resolution #03-1087 during the City Council meeting on December 17, 2003.

City budget amendments that authorize an increase in total fund spending require the approval of the City Council. In addition, City Council approval is required for budget amendments transferring appropriations between departments within the General Fund.

2. General Budget Procedure – HRA Funds

The Housing and Redevelopment Authority (HRA) followed these procedures in establishing the 2004 budgets:

- a. On August 15, 2003, the Executive Director presented her proposed budget to the HRA Board of Commissioners for the fiscal year commencing the following January 1. This budget included proposed expenditures and other uses and the means of financing them.
- b. Upon approval by the HRA Board, the Executive Director submitted the HRA budget to the Mayor of the City of Saint Paul, who submitted this budget to the City Council for consideration, approval and certification.
- c. The budget was approved through passage of council resolution #03-1088.

HRA budget amendments that authorize an increase in total fund spending require the approval of the HRA Board of Commissioners.

3. General Budget Procedure – Library Agency Funds

The Library Agency followed these procedures in establishing the 2004 budgets:

- a. On August 21, 2003, the Mayor presented his proposed budget for the Saint Paul Public Library Agency to the Library Board of Commissioners for the fiscal year commencing the following January 1. The budget included proposed expenditures and other uses and the means of financing them.
- b. The Library Board held a public hearing on November 5, 2003 to obtain taxpayer comments.
- c. The budget was legally adopted through passage of Saint Paul Library Agency resolution #03-007 during the Library Board meeting on December 17, 2003.

Library Agency budget amendments that authorize an increase in total fund spending require the approval of the Library Board.

4. Annual and Multi-Year Governmental Fund Budgets

Annual governmental fund budgets are reported in the following fund types and are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP):

General Fund

Special Revenue Funds (except: Community Development Block Grant, State Grant Programs, HRA Federal and State Programs and Section 108 Programs, which have multi-year budgets).

Debt Service Funds

Permanent Funds

In addition, multi-year governmental fund budgets are utilized in the capital projects funds.

The following provides a summary reconciliation of the actual results for annually budgeted special revenue funds and multi-year budgeted special revenue funds.

	Revenues	Expenditures	Net Other Financing Sources (Uses)	Fund Balances 12/31/04
SPECIAL REVENUE FUNDS				
Library Agency	\$ 13,564,153	\$ 13,438,389	\$ 371,654	\$ 890,949
HRA General Fund	2,555,688	3,372,808	(408,414)	5,343,738
Annually Budgeted Nonmajor Funds	64,352,974	52,520,930	(8,815,006)	45,221,125
Multi-year Budgeted Nonmajor Funds				
Community Development Block Grant	10,819,029	9,141,321	(1,677,708)	-
State Grant Programs	1,483,073	1,583,278	100,000	732,125
HRA Federal and State Programs	4,796,294	4,814,183	17,878	-
Section 108 Programs	323,337	3,946,026	-	3,347,768
	<u>17,421,733</u>	<u>19,484,808</u>	<u>(1,559,830)</u>	<u>4,079,893</u>
Total Special Revenue Funds	<u>\$ 97,894,548</u>	<u>\$ 88,816,935</u>	<u>\$ (10,411,596)</u>	<u>\$ 55,535,705</u>

5. Appropriation Revisions

Budgeted amounts are as originally adopted or as amended by the City Council. During 2004, increases and decreases to annual expenditures, other financing uses and transfers out appropriations were as follows:

	Original Budgeted Amounts	Net Amendments	Final Budgeted Amounts
General Fund	\$ 157,369,220	\$ 4,972,351	\$ 162,341,571
Special Revenue Funds	90,174,582	15,103,786	105,278,368
Debt Service Funds	65,090,203	3,470,667	68,560,870
Permanent Funds	2,000	-	2,000

6. Appropriation Year-End Balances

Unexpended appropriation balances lapse at the end of the fiscal year in the annual governmental fund budgets. However, upon City Council approval, the appropriations for the subsequent year are increased in the amount necessary to satisfy the outstanding encumbrances at the end of the fiscal year.

Unexpended appropriation balances do not lapse at the end of the fiscal year in the multi-year governmental fund budgets.

B. Federal Audit Requirements

The U.S. Office of Management and Budget (OMB) issued Circular A-133, which establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law July 5, 1996 (Public Law 104-156)

The purposes of the Single Audit Act Amendments of 1996 are to:

1. promote sound financial management, including effective internal controls, with respect to Federal awards;
2. promote the efficient and effective use of audit resources;
3. reduce burdens on state and local governments, Indian tribes and nonprofit organizations;
4. ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Chapter 75 of Title 31, United States Code (the "Single Audit Act").

For 2004, the City of Saint Paul's audit was performed in accordance with Circular A-133. The auditor's report on consideration of the City's internal control over financial reporting and tests of the City's compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters will be issued at a later date.

C. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit fund or net assets balances at year end.

The following funds had deficit unreserved fund balances or net assets at December 31, 2004:

	Unreserved Fund Balance/ Unrestricted Net Assets	Total Fund Equity/Net Assets
Special Revenue Fund		
Finance Special Projects	\$ (103,700)	\$ 294,153
Municipal Athletic Programming	(53,849)	(53,669)
Capital Projects Fund:		
Capital Improvement Projects	(8,338,610)	(3,848,351)
Enterprise Funds:		
Special Services	(1,773,241)	504,150
Rice and Arlington Sports Dome	124,383	(837,238)
Watergate Marina	(337,514)	(258,902)
Internal Service Funds:		
Information Systems	(429,819)	(429,819)

The Municipal Athletic Programming Fund has not been generating enough user fees to cover all the operating expenses over the last few years. These losses were caused by the continuing decline of participants in the adult sports programs. New efforts taken during 2003 to find new sources of revenues have lowered the deficit in each of the last two years.

The deficit fund balance reported in the Capital Improvement Projects Fund is the result of deferring revenue from the grants relating to the construction projects. The revenue is recognized when it becomes available once the projects are completed and have been inspected.

The Rice and Arlington Sports Dome management was taken over by the Parks Division in June 1998. Even though steps were taken to manage costs and increase the revenue, the Dome continued to report an operating deficit. The Dome was closed in June 2002. Future costs in this fund will only include the payments to pay off the debt owed.

The City contracted with an outside business manager to manage and operate the Watergate Marina. This was done in part to ensure that the Marina operated at no net cost or financial risk to the City. The proceeds from this agreement are being used to improve the fund equity position.

The 1997 expenses relating to the Human Resource Management System Project were recorded in the Information Systems Internal Service Fund. These development costs are being reimbursed from all City departments over a ten-year period, which will eliminate the deficit in the Information Systems Fund. This financing plan was adopted by City Council Resolution 97-895. This resolution also authorized the General Fund to provide a working capital advance to the Information Systems Fund to cover the 1997 development costs.

D. Excess of Expenditures over Appropriations in Individual Funds

Total expenditures exceeded total appropriations in the following funds:

	Final Budgeted Amounts	Actual	Variance with Final Budgets
Special Revenue Fund			
Charitable Gambling	-	\$ 7,028	\$ (7,028)
Debt Service Fund			
HRA General Debt Service	\$ 14,680,263	14,733,848	(53,585)
Permanent Fund			
Japanese Gardens	1,700	1,713	(13)

The fund managers have been directed that in the future, funds must have an appropriation budget to cover all obligations incurred.

Note VI. Detailed Notes on All Funds

A. Cash, Investments and Securities Lending

Deposits

In accordance with Minnesota Statutes Chapter 118A, the City maintains deposits at financial institutions authorized by the City Council.

This Statute further requires that all City deposits be protected by insurance, surety bond, collateral or an irrevocable letter of credit issued by Federal Home Loan Banks. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes issues of the U.S. Treasury, obligations issued by an agency established by the U.S. Government as long as it is quoted by a recognized quotation service available to the City, general obligation bonds of Minnesota State and local governments and general obligation bonds of other states rated "A" or better by Moody's Investor Services or Standard and Poor's Corporation (Minnesota Statutes Chapter 118A). All pledged collateral is held in the City's name at third party institutions.

Balance of City Deposits at December 31, 2004	Bank Balances	Carrying Amount
(1) Insured or collateralized by securities held by the City or its agent in the City's name		
a) Demand Deposits (including interest bearing)	\$ 27,910,000	\$ 24,577,960
b) Certificates of Deposit	14,594,029	14,594,029
(2) Collateralized with securities held by the pledging institution's trust department in the City's name	None	None
(3) Uncollateralized	None	None
Totals	<u>\$ 42,504,029</u>	<u>\$ 39,171,989</u>

Imprest Funds on Hand

At December 31, 2004, the total imprest funds were \$97,815. Of this amount, the City had \$64,775 on hand. The remaining \$33,040 were in various bank accounts and are included with the collateralized deposits.

Investments

In addition to interest bearing deposits, Minnesota Statutes authorize the following types of investments for local governments:

- a. governmental bonds, notes, bills, mortgages and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes Section 118A.04, Subd. 6.
- b. in shares of an investment company registered under the Federal Investment Company Act of 1940, provided the mutual fund receives certain ratings depending on its investments.
- c. general obligations of the State of Minnesota and its municipalities and in any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service.
- d. in bankers acceptances of United States Banks, or
- e. in commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less.
- f. Repurchase agreements may be entered into with:
 1. a bank qualified as a depository;
 2. any national or state bank in the United States which is a member of the Federal Reserve System and whose combined capital and surplus equals or exceeds \$10,000,000;
 3. primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
 4. a securities broker-dealer, licensed pursuant to Chapter 80A, or an affiliate of it, regulated by the Securities and Exchange Commission and maintaining a combined capital and surplus of \$40,000,000 or more, exclusive of subordinated debt.
- g. Securities lending agreements.
- h. Guaranteed investment contracts.

The balances at December 31, 2004 follow. The reported amount is a mixture of cost and fair value-based measures, because certain investments meet Statement 31 criteria for reporting at amortized cost.

Securities Type	Custodial Credit Risk Category			Reported Amount	Fair Value
	1	2	3		
US Government and Agency Securities Not on Securities Loan	\$ 51,155,157	-	-	\$ 51,155,157	\$ 51,155,157
Commercial Paper	50,930,701	-	-	50,930,701	50,999,646
Discount Notes	11,425,344	-	-	11,425,344	11,484,505
Taxable Municipal Bonds	10,181,977	-	-	10,181,977	10,181,977
	<u>\$ 123,693,179</u>	<u>-</u>	<u>-</u>	123,693,179	123,821,285
Government Securities Mutual Funds				32,000,467	32,000,467
Guaranteed Investment Contract				816,462	816,462
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral				125,375,000	125,375,000
Securities Lending Short-Term Collateral Investments Pool				<u>129,454,113</u>	<u>129,454,113</u>
Total Investments				<u>\$ 411,339,221</u>	<u>\$ 411,467,327</u>

The City's investments are categorized above in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 150 to give an indication of the level of custodial credit risk assumed at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the City or by its agent in the City's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, in safekeeping for the City, but not in the City's name.

Securities Lending Transactions

Beginning in 1996, the City has participated in a securities lending program. The City has reported its securities lending transactions in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 28 *Accounting and Financial Reporting for Securities Lending Transactions*. The City Council approved by resolution a "Policy Statement," which provides that the General Fund will record the revenue and expenditures relating to securities lending transactions and the "securities lending collateral" asset and "obligations under securities lending" liability. In addition, if monthly net losses should occur during the year from the investment of cash collateral, either principal losses or losses resulting from negative "spreads" between the yield on the investments of cash collateral and the rebate rates paid to borrowers, the losses will be charged to the General Fund.

In accordance with State Statutes and pursuant to the securities lending agreement with the City, US Bank has established a securities lending program that allows the City to enter into securities lending transactions – loans of government and agency securities to broker dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. US Bank, the custodian and agent in lending the City's securities, manages a securities lending and collateral investments pool. There were no significant violations either of State Statutes or contractual provisions with US Bank in 2004.

US Bank receives collateral from borrowers to secure loans on behalf of the program participants in cash and securities of 102 percent of the market value of the lent securities which meet the qualifications established in Minnesota Statutes 118A.05 Subd. 3, including any amendments to the sections adopted after the date of the borrower's default. The cash and security collateral are adjusted daily to maintain at least 100 percent of the market value of the loaned securities plus accrued interest. No loss indemnification is provided by US Bank's securities lending program.

All securities loans may be terminated on demand by either the pool participants or the borrower. There are no restrictions as to the total amount of securities that may be loaned at one time. All term loans are matched in maturity to term investments. Cash collateral received for open loans is invested as of year end as follows: 85% of total collateral investments is invested on an overnight/open basis and 15% is invested with maturities greater than overnight.

The weighted average maturity for all investments in the pool in which the City of Saint Paul participates as of year end is 13.45 days. The relationship between the maturities of the investment pool and the City of Saint Paul's loans will be affected by the maturities of the securities loans made by other participants in the pool.

As of December 31, 2004, the securities on loan, the related cash collateral and the pooled investment from such collateral are presented as unclassified in the schedule of investments by custodial credit risk category. The securities on loan at December 31, 2004 had a carrying amount of \$129,454,113, which was also its fair value.

There was no borrower or lending agent default losses and no recoveries of prior-period losses during the year. At December 31, 2004, the securities lending pool participants had no credit risk exposure because all collateral was equal to at least 100% of the market value of the loaned securities plus any accrued interest.

Recap

Deposits and investments as described above appear in the City's financial statements consistent with the following analysis:

Deposits	\$ 39,171,989	Cash and Investments with Treasurer	\$ 236,031,523
Imprest Funds on Hand	64,775	Cash and Investments with Trustees	36,968,664
Investments	411,339,221	Investments	460,143
		Imprest Funds	97,815
		Securities Lending Collateral	129,454,113
		Restricted Cash	47,563,727
			<hr/>
Total	<u>\$ 450,575,985</u>		<u>\$ 450,575,985</u>

B. Receivables

Summary of Receivables

Receivables as of year end for the City's individual major governmental and enterprise funds, nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Capital Improvement Projects	Nonmajor and Other Funds	Total
Receivables:								
Taxes	\$ 1,423,469	\$ 250,246	\$ 37,046	\$ 269,995	\$ 1,038,052	\$ -	\$ 63,546	\$ 3,082,354
Accounts	9,707,613	-	126,976	103,686	9,608	1,175,416	2,684,831	13,808,130
Special Assessments	-	-	-	-	-	13,740,027	25,974,944	39,714,971
Interest	957,346	-	56,254	193,665	303,739	-	885,626	2,396,630
Xcel Energy	1,102,682	-	-	-	-	-	-	1,102,682
Intergovernmental	579,525	11,750	-	-	-	15,320,506	6,989,220	22,901,001
Gross Receivables	13,770,635	261,996	220,276	567,346	1,351,399	30,235,949	36,598,167	83,005,768
Less: Allowance for Uncollectibles	(197,592)	-	(80,766)	-	-	(15,550)	(412,728)	(706,636)
Net Total Receivables	\$ 13,573,043	\$ 261,996	\$ 139,510	\$ 567,346	\$ 1,351,399	\$ 30,220,399	\$ 36,185,439	\$ 82,299,132
Amounts not expected to be collected within one year	7,164,967	-	-	-	-	9,479,412	11,675,376	28,319,755
Business-type Activities			RiverCentre Operating	Sewer Utility	HRA Loan Enterprise	HRA Parking	Other Enterprise Funds	Total
Receivables:								
Taxes			\$ -	\$ -	\$ -	\$ 8,683	\$ -	\$ 8,683
Accounts			365,286	534,128	20,735	334,120	253,112	1,507,381
Special Assessments			-	5,823,532	1,014	-	-	5,824,546
Interest			8,370	129,002	259,482	58,940	5,916	461,710
Intergovernmental			431,949	105,363	-	-	93,986	631,298
Gross Receivables			805,605	6,592,025	281,231	401,743	353,014	8,433,618
Less: Allowance for Uncollectibles			-	(536,586)	-	-	(122,532)	(659,118)
Net Total Receivables			\$ 805,605	\$ 6,055,439	\$ 281,231	\$ 401,743	\$ 230,482	\$ 7,774,500
Amounts not expected to be collected within one year			-	-	-	-	-	-

Property Taxes

For property tax collectible in 2004, Saint Paul's taxable net tax capacity (including Tax Increment Districts) was \$180,113,604; the estimated market value was \$17,562,535,900; the net tax capacity was 1.03% of the estimated market value. Estimated market values are converted to tax capacities based on a statutory rate for each class of property.

Current property tax collections for the year ended December 31, 2004 were as follows:

	<u>City</u>	<u>HRA</u>
Dollar Amount	\$ 61,693,123	\$ 840,174
Percent of Levy Spread	98.64%	95.74%

Notes and Loans Receivable

Notes and Loans Receivable are reported as assets in the following funds at December 31, 2004:

Special Revenue Funds:

Solid Waste and Recycling	\$ 855,289
Community Development Block Grant	4,051,252
State Grant Programs	98,029
HRA Federal and State Programs	<u>5,017,061</u>

Total Special Revenue Funds	<u>10,021,631</u>
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Capital Projects Fund:

City Sales Tax	6,914,712
City Downtown Capital Projects	<u>315,000</u>

Total Capital Projects Funds	<u>7,229,712</u>
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Total	<u><u>\$ 17,251,343</u></u>
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In addition to the above amounts reported as "Notes and Loans Receivable" on the Statement of Net Assets, other long-term loans receivable are included in "Other Long-Term Receivables" in the following funds:

Enterprise Funds:

HRA Loan Enterprise	<u>\$ 27,498,310</u>
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Internal Service Fund:

Internal Borrowing	<u>10,155,578</u>
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Total	<u><u>\$ 37,653,888</u></u>
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The amount reported for loans receivable is net of allowances for uncollectible loans. Allowances for uncollectible loans have been established for loans for which collection is doubtful or questionable. At December 31, 2004, the allowance for uncollectible loans recorded was \$65,591,878.

Contract Receivable – Metropolitan Council Environmental Services

The Metropolitan Council Environmental Services (MCES), formerly known as the Metropolitan Waste Control Commission (MWCC) was established as an agency of the Metropolitan Council pursuant to Minnesota Statutes Section 473.503. MCES was created for the purpose of providing the efficient and economic collection, treatment and disposal for sewage. MCES bills actual quarterly sewer treatment charges at a two quarter lag, with first quarter charges billed in the third quarter and all other quarterly charges billed in a similar manner.

In 1971, the Metropolitan Council Environmental Services assumed ownership of all the City's interceptors and treatment works. The takeover by the MCES provided that the City would receive payment for the facilities based on the value of the facilities in 1971. This long-term contract receivable from the MCES at December 31, 2004, as reported in the Sewer Utility Enterprise Fund, was \$247,228.

C. Land Held for Resale

At December 31, 2004, Land Held for Resale was reported as an asset in the following funds:

Special Revenue Funds	
Community Development Block Grant	\$ 2,145,806
HRA General Fund	<u>8,233,382</u>
Total Special Revenue Funds	<u>10,379,188</u>
Capital Projects Fund	
HRA Tax Increment	858,947
Enterprise Fund	
HRA Loan Enterprise	<u>4,772,799</u>
Total	<u><u>\$ 16,010,934</u></u>

D. Restricted Assets

As of December 31, 2004, the following restricted assets were reported in the following enterprise funds:

	RiverCentre Operating	Sewer	Utility	HRA Loan Enterprise	HRA Parking
Cash for General Obligation Bond Current Debt Service	\$ -	\$ 31,040		\$ -	\$ 5,226,594
Cash for Revenue Bond Current Debt Service	-		574,154	12,149,970	4,694,215
Cash for Revenue Bond Operations and Maintenance	-		3,162,757	-	574,083
Cash for Revenue Bond Construction	-		2,733,289	13,440,760	-
Cash for Water Pollution Abatement Current Debt Service	-		391,710	-	-
Cash for Budget and Rate Stabilization	-		3,787,113	-	-
Cash for Pedestrian Connection	248,069	-	-	-	-
Cash for Ramp Capital Projects	179,256	-	-	-	-
Cash for Rental Subsidies/Promotion Reserve	370,717	-	-	-	-
Total	<u><u>\$ 798,042</u></u>	<u><u>\$ 10,680,063</u></u>		<u><u>\$ 25,590,730</u></u>	<u><u>\$ 10,494,892</u></u>

E. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Governmental Activities

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
Capital Assets Not Being Depreciated:				
Land	\$ 137,772,803	\$ 1,826,207	\$ (1,400,921)	\$ 138,198,089
Construction in Progress	57,744,571	25,952,960	(36,042,824)	47,654,707
Total Capital Assets Not Being Depreciated	195,517,374	27,779,167	(37,443,745)	185,852,796
Capital Assets Being Depreciated:				
Buildings	493,036,203	27,069,896	(3,157,397)	516,948,702
Improvements Other than Buildings	70,629,069	5,981,829	-	76,610,898
Equipment	73,758,863	6,396,225	(3,633,326)	76,521,762
Infrastructure	606,554,119	32,138,303	(2,171,969)	636,520,453
Total Capital Assets Being Depreciated	1,243,978,254	71,586,253	(8,962,692)	1,306,601,815
Less: Accumulated Depreciation for:				
Buildings	(131,364,736)	(13,109,361)	783,382	(143,690,715)
Improvements Other than Buildings	(15,979,167)	(2,146,304)	-	(18,125,471)
Equipment	(47,327,389)	(6,320,871)	2,704,470	(50,943,790)
Infrastructure	(182,899,335)	(11,654,324)	1,500,653	(193,053,006)
Total Accumulated Depreciation	(377,570,627)	(33,230,860)	4,988,505	(405,812,982)
Total Capital Assets Being Depreciated, Net	866,407,627	38,355,393	(3,974,187)	900,788,833
Governmental Activities Capital Assets, Net	\$ 1,061,925,001	\$ 66,134,560	\$ (41,417,932)	\$ 1,086,641,629

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental Activities

General Government	\$ 875,058
Public Safety	2,419,644
Highways and Streets	14,027,863
Culture and Recreation	13,460,823
Housing and Economic Development	713,594
Total Governmental Activities Depreciation Expense	<u>\$ 31,496,982</u>

Public Works Administration Internal Service Fund received capital asset contributions of buildings and equipment from Real Estate Management Internal Service Fund with a historical cost of \$4,907,796 and an accumulated depreciation of \$1,719,923. Equipment Services Fire-Police Internal Service Fund received a capital asset contribution of equipment from the General Capital Assets with a historical cost of \$13,955 and an accumulated depreciation of \$13,955.

Business-Type Activities

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
Capital Assets Not Being Depreciated:				
Land	\$ 18,381,754	\$ 4,574,407	\$ -	\$ 22,956,161
Construction in Progress	26,046,804	2,076,789	(27,205,376)	918,217
Total Capital Assets Not Being Depreciated	44,428,558	6,651,196	(27,205,376)	23,874,378
Capital Assets Being Depreciated:				
Buildings and Structures	78,441,543	20,959,841	(453,711)	98,947,673
Public Improvements	345,401,480	4,620,433	-	350,021,913
Equipment	7,707,945	333,064	(161,087)	7,879,922
Total Capital Assets Being Depreciated	431,550,968	25,913,338	(614,798)	456,849,508
Less: Accumulated Depreciation for:				
Buildings and Structures	(23,475,592)	(2,554,509)	323,321	(25,706,780)
Public Improvements	(86,319,554)	(4,201,891)	-	(90,521,445)
Equipment	(5,322,734)	(606,158)	149,300	(5,779,592)
Total Accumulated Depreciation	(115,117,880)	(7,362,558)	472,621	(122,007,817)
Total Capital Assets Being Depreciated, Net	316,433,088	18,550,780	(142,177)	334,841,691
Business-Type Activities Capital Assets, Net	<u>\$ 360,861,646</u>	<u>\$ 25,201,976</u>	<u>\$ (27,347,553)</u>	<u>\$ 358,716,069</u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business-Type Activities

Convention Facility	\$ 367,340
Sewer	4,258,199
Parking	2,348,534
Parks, Recreation and Athletics	276,701
Impound Lot	7,410
Printing	98,880
Total Business-Type Activities Depreciation Expense	<u>\$ 7,357,064</u>

Special Services Enterprise Fund received a capital asset contribution of equipment from the General Capital Assets with a historical cost of \$7,325 and an accumulated depreciation of \$5,494.

F. Interfund Receivables/Payables/Advances and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts as of December 31, 2004:

Pooled Cash and Investment Overdrafts

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Projects	\$ 1,285,083
	Nonmajor Governmental Funds	1,325,042
	Nonmajor Enterprise Funds	494,723
	Internal Service Funds	357,379
	Total	<u>\$ 3,462,227</u>

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Library Agency	\$ 85,496
	General Debt Service	2,147
	Capital Improvement Projects	14,431
	RiverCentre Operating	1,749
	Sewer Utility	377,006
	HRA Parking	44
	Nonmajor Governmental Funds	2,328,652
	Nonmajor Enterprise Funds	33,885
	Internal Service Funds	15,564,094
HRA General Fund	Internal Service Funds	101,164
HRA General Debt Service	Nonmajor Governmental Funds	47,085
Capital Improvement Projects	General Fund	219,176
	Sewer Utility	1,855,441
	HRA Loan Enterprise	31,051
	Nonmajor Governmental Funds	4,784,344
	Internal Service Funds	258
Sewer Utility	General Fund	70,000
	Nonmajor Governmental Funds	150,000
HRA Loan Enterprise	Internal Service Funds	326,632
HRA Parking	Internal Service Funds	159,100

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 407,308
	Library Agency	1,340,472
	Capital Improvement Projects	4,263
	Sewer Utility	35,967
	HRA Loan Enterprise	122,094
	Nonmajor Governmental Funds	884,691
	Nonmajor Enterprise Funds	150
	Internal Service Funds	74,849
Nonmajor Enterprise Funds	General Fund	17,187
	Capital Improvement Projects	15,353
	Sewer Utility	300
	Nonmajor Governmental Funds	10,116
	Internal Service Funds	1,565
Internal Service Funds	General Fund	503,928
	Library Agency	113,187
	HRA General Fund	26,718
	Capital Improvement Projects	661,346
	Sewer Utility	89,639
	HRA Loan Enterprise	23,131
	HRA Parking	7,690
	Nonmajor Governmental Funds	1,558,116
	Nonmajor Enterprise Funds	530,445
	Internal Service Funds	372,609
Fiduciary-Agency Funds	General Fund	2,942
	General Debt Service	280,000
	Capital Improvement Projects	190
	Nonmajor Governmental Funds	1,163
	Nonmajor Enterprise Funds	23
	Internal Service Funds	736
	Total	<u>\$ 33,237,933</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from Other Funds

The following is a schedule of interfund advances as of December 31, 2004:

Receivable Fund	Payable Fund	Amount
General Fund	RiverCentre Operating	\$ 1,525,000
	Rice and Arlington Sports Dome	250,000
	Information Systems	340,000
	Public Works Administration	69,600
HRA General Fund	HRA Tax Increment	500,950
Sewer Utility	Capital Improvement Projects	1,590,369
	Solid Waste and Recycling	600,000
HRA Loan Enterprise	HRA Tax Increment	3,946,836
Right of Way Maintenance	Capital Improvement Projects	425,000
	Parking Meter Collections	11,425
	Public Works Traffic, Signal and Lighting Maintenance	343,175
City Sales Tax	RiverCentre Operating	231,126
Internal Borrowing	HRA Tax Increment	2,121,714
	Special Services	3,480,501
	Total	<u>\$ 15,435,696</u>

The advances shown above are long-term amounts not due within one year. Short-term advances that are due within one year are reported as a due to/from other fund.

Transfers

The following is a schedule of interfund transfers as of December 31, 2004:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Library Agency	\$ 38,553
	HRA General Fund	68,486
	General Debt Service	2,088
	Capital Improvement Projects	568,710
	Sewer Utility	349,099
	HRA Loan Enterprise	5,000
	Nonmajor Governmental Funds	8,767,670
	Nonmajor Enterprise Funds	123,751
	Internal Service Funds	177,646
Library Agency	Nonmajor Governmental Funds	410,207
HRA General Fund	Capital Improvement Projects	32,121
General Debt Service	Sewer Utility	2,567,320
	Nonmajor Governmental Funds	6,011,553
HRA General Debt Service	HRA General Fund	122,049
	RiverCentre Operating	100,000
	HRA Loan Enterprise	684,239
	Nonmajor Governmental Funds	19,651,368
Capital Improvements Projects	General Fund	600,000
	Sewer Utility	7,604,167
	HRA Loan Enterprise	448,173
	Nonmajor Governmental Funds	20,134,987
RiverCentre Operating	Nonmajor Governmental Funds	246,129
HRA Loan Enterprise	HRA General Fund	250,000
	Capital Improvement Projects	123,021
	Nonmajor Governmental Funds	12,459,217
HRA Parking	Nonmajor Governmental Funds	3,124,810
Nonmajor Governmental Funds	General Fund	1,248,095
	HRA General Debt Service	16,094,802
	Capital Improvement Projects	780,420
	HRA Loan Enterprise	122,095
	HRA Parking	358,826
	Nonmajor Governmental Funds	5,915,415
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	2,808
	General Fund	364,760
Internal Service Funds	Nonmajor Governmental Funds	80,000
	Capital Improvement Projects	37,720
	Sewer Utility	240,844
	Nonmajor Governmental Funds	809,199
	Internal Service Funds	3,103,291
Total		<u>\$ 113,828,639</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to a debt service fund, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The total governmental and proprietary funds transfers in is \$113,828,639; the total governmental and proprietary funds transfers out is \$118,679,063. The variance of \$4,850,424 is comprised of the following:

- Capital asset contribution of \$3,187,873 from the Real Estate Management Internal Service Fund to the Public Works Administration Internal Service Fund.
- Capital asset transfer of \$1,660,476 from the RiverCentre Operating Enterprise Fund to the General Capital Assets.
- Capital asset transfer of \$2,075 from the Special Services Enterprise Fund to the General Capital Assets.

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G. Long-Term Obligations

1. Changes in Long-Term Obligations

Long-term obligations activity in the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds					
Property Tax Supported	\$ 105,370,000	\$ 34,550,000	\$ 21,445,000	\$ 118,475,000	\$ 18,275,000
Special Assessment Debt with Governmental Commitment	22,915,000	2,500,000	2,240,000	23,175,000	2,255,000
HRA Tax Increment	14,855,000	3,950,000	1,065,000	17,740,000	1,100,000
Total General Obligation Bonds	<u>143,140,000</u>	<u>41,000,000</u>	<u>24,750,000</u>	<u>159,390,000</u>	<u>21,630,000</u>
Revenue Bonds					
Sales Tax Revenue Bonds	69,840,000	-	940,000	68,900,000	1,150,000
HRA Tax Increment Revenue Bonds	56,889,000	4,995,000	2,858,058	59,025,942	3,052,162
HRA Sales Tax Revenue Bonds	47,255,000	-	1,140,000	46,115,000	1,220,000
HRA Lease Revenue Bonds	9,015,000	-	2,095,000	6,920,000	50,000
Total Revenue Bonds	<u>182,999,000</u>	<u>4,995,000</u>	<u>7,033,058</u>	<u>180,960,942</u>	<u>5,472,162</u>
Revenue Notes Payable					
Revenue Notes Payable	48,296,519	-	1,744,340	46,552,179	1,693,395
HRA Revenue Notes Payable	16,103,234	-	1,233,234	14,870,000	540,000
Total Revenue Notes	<u>64,399,753</u>	<u>-</u>	<u>2,977,574</u>	<u>61,422,179</u>	<u>2,233,395</u>
Add/(Subtract) Deferred Amounts for: (Discounts)/Premiums Refundings - Gains/(Losses)	<u>321,689</u>	<u>937,112</u>	<u>102,952</u>	<u>1,155,849</u>	<u>143,410</u>
Total Bonds and Notes	<u>390,860,442</u>	<u>46,932,112</u>	<u>34,863,584</u>	<u>402,928,970</u>	<u>29,478,967</u>
Other Liabilities:					
Compensated Absences	17,903,780	748,135	2,344	18,649,571	1,058,674
Claims and Judgments Payable	18,714,559	8,149,114	6,413,702	20,449,971	6,675,688
Capital Leases	23,093,750	1,224,350	922,323	23,395,777	1,155,815
Total Other Liabilities	<u>59,712,089</u>	<u>10,121,599</u>	<u>7,338,369</u>	<u>62,495,319</u>	<u>8,890,177</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 450,572,531</u>	<u>\$ 57,053,711</u>	<u>\$ 42,201,953</u>	<u>\$ 465,424,289</u>	<u>\$ 38,369,144</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds					
General Obligation Debt	\$ 3,865,000	\$ -	\$ 190,000	\$ 3,675,000	\$ 195,000
HRA General Obligation Debt	38,195,000	-	1,055,000	37,140,000	1,135,000
Total General Obligation Bonds	42,060,000	-	1,245,000	40,815,000	1,330,000
Revenue Bonds					
Revenue Bonds	29,670,000	6,300,000	6,210,000	29,760,000	6,295,000
HRA Parking Facilities Revenue Bonds	42,100,000	-	1,385,000	40,715,000	1,460,000
HRA Loan Enterprise Revenue Bonds	-	25,000,000	-	25,000,000	-
Total Revenue Bonds	71,770,000	31,300,000	7,595,000	95,475,000	7,755,000
Revenue Notes Payable					
Revenue Notes Payable	17,563,718	-	855,104	16,708,614	884,025
HRA Revenue Notes Payable	3,210,000	5,120,000	3,245,620	5,084,380	1,994,380
Total Revenue Notes Payable	20,773,718	5,120,000	4,100,724	21,792,994	2,878,405
Add/(Subtract) Deferred Amounts for:					
(Discounts)/Premiums Refundings -					
Gains/(Losses)	585,930	(35,398)	214,437	336,095	-
Total Bonds and Notes	135,189,648	36,384,602	13,155,161	158,419,089	11,963,405
Other Liabilities:					
Compensated Absences	767,542	78,035	1,958	843,619	48,172
Capital Leases	1,760,582	-	136,125	1,624,457	143,744
Total Other Liabilities	2,528,124	78,035	138,083	2,468,076	191,916
Total Business-Type Activities					
Long-Term Liabilities	137,717,772	36,462,637	13,293,244	160,887,165	12,155,321
TOTAL LONG-TERM OBLIGATION	\$ 588,290,303	\$ 93,516,348	\$ 55,495,197	\$ 626,311,454	\$ 50,524,465

Internal Service funds predominantly serve the governmental funds. Accordingly, their long-term liabilities are included as part of the totals reported for governmental funds. At year end, \$1,813,997 for compensated absences and \$2,416,458 of capital leases were included in the amounts reported for the governmental funds.

The government-wide statement of net assets includes \$2,699,145 of the long-term liabilities due within one year for business-type activities in "liabilities payable from restricted assets." The remaining amount of \$9,456,176 was displayed as "noncurrent liabilities due within one year" on the same statement.

2. Annual Requirements – Principal and Interest on Long-Term Obligations

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 21,630,000	\$ 6,138,613	\$ 1,330,000	\$ 2,137,021	\$ 22,960,000	\$ 8,275,634
2006	19,740,000	5,376,452	1,505,000	2,055,675	21,245,000	7,432,127
2007	23,320,000	4,553,258	1,660,000	1,963,841	24,980,000	6,517,099
2008	17,465,000	3,752,042	1,790,000	1,862,570	19,255,000	5,614,612
2009	16,140,000	3,051,513	1,930,000	1,751,975	18,070,000	4,803,488
2010-2014	47,720,000	7,231,717	12,495,000	6,718,559	60,215,000	13,950,276
2015-2019	9,195,000	1,868,169	10,780,000	3,288,996	19,975,000	5,157,165
2020-2024	4,180,000	453,863	7,585,000	1,347,219	11,765,000	1,801,082
2025-2029	-	-	1,740,000	41,325	1,740,000	41,325
Total General Obligation Bonds Debt	<u>\$ 159,390,000</u>	<u>\$ 32,425,627</u>	<u>\$ 40,815,000</u>	<u>\$ 21,167,181</u>	<u>\$ 200,205,000</u>	<u>\$ 53,592,808</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 5,472,162	\$ 12,185,920	\$ 7,755,000	\$ 3,532,716	\$ 13,227,162	\$ 15,718,636
2006	6,384,857	11,877,853	7,945,000	3,322,102	14,329,857	15,199,955
2007	6,968,352	11,467,006	32,290,000	2,829,741	39,258,352	14,296,747
2008	7,129,836	11,011,947	6,030,000	2,530,129	13,159,836	13,542,076
2009	6,446,848	10,538,605	2,665,000	2,254,799	9,111,848	12,793,404
2010-2014	32,326,611	46,683,816	14,705,000	8,885,740	47,031,611	55,569,556
2015-2019	37,119,190	35,266,322	11,115,000	4,875,376	48,234,190	40,141,698
2020-2024	52,071,680	20,388,190	6,575,000	2,695,900	58,646,680	23,084,090
2025-2029	27,041,406	3,902,259	6,395,000	1,061,975	33,436,406	4,964,234
Total Revenue Bonds Debt	<u>\$ 180,960,942</u>	<u>\$ 163,321,918</u>	<u>\$ 95,475,000</u>	<u>\$ 31,988,478</u>	<u>\$ 276,435,942</u>	<u>\$ 195,310,396</u>

Revenue notes debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 2,233,395	\$ 677,867	\$ 2,878,405	\$ 690,792	\$ 5,111,800	\$ 1,368,659
2006	8,221,589	581,721	973,280	637,540	9,194,869	1,219,261
2007	1,975,797	253,406	1,013,879	602,306	2,989,676	855,712
2008	1,835,221	245,470	1,055,834	565,696	2,891,055	811,166
2009	1,802,816	240,670	1,088,157	527,519	2,890,973	768,189
2010-2014	13,003,361	1,062,675	6,067,358	2,016,690	19,070,719	3,079,365
2015-2019	25,900,000	638,095	6,633,304	1,049,528	32,533,304	1,687,623
2020-2024	6,450,000	134,890	1,818,050	253,981	8,268,050	388,871
2025-2029	-	-	264,727	12,363	264,727	12,363
Total Revenue Notes Debt	<u>\$ 61,422,179</u>	<u>\$ 3,834,794</u>	<u>\$ 21,792,994</u>	<u>\$ 6,356,415</u>	<u>\$ 83,215,173</u>	<u>\$ 10,191,209</u>

3. Sources for Long-Term Obligations Repayment

Governmental Activity Long-Term Obligations

General Obligation Bonds

In 2004, the City issued General Obligation Capital Improvement Bonds, Series 2004A in the amount of \$19,000,000; General Obligation Special Assessment Debt with Governmental Commitment, Series 2004B in the amount of \$2,500,000; General Obligation Temporary Bonds, Series 2004C in the amount of \$3,950,000; General Obligation Capital Improvement Refunding Bonds, Series 2004D in the amount of \$3,270,000; and General Obligation Library Bonds, Series 2004 in the amount of \$12,280,000, for a total of \$41,000,000.

The proceeds of the Series 2004D were used to current refund the City's General Obligation Capital Improvement Bonds, Series 1996A in the amount of \$4,845,000. This current refunding was done to take advantage of lower interest rates, which resulted in a net present value benefit of \$138,739.

\$159,390,000 of General Obligation Bonds is payable from the Debt Service Funds. The related interest requirement on this debt was \$32,425,627. These bonds are backed by the full faith and credit of the City.

General Obligation Bonds – Property Tax Supported

Of the \$159,390,000 of General Obligation Bonds, \$118,475,000 is property tax supported debt to be paid primarily from property taxes levied and collected. The related interest requirement on this debt was \$21,690,007.

General Obligation Special Assessment Debt with Governmental Commitment

Of the \$159,390,000 of General Obligation Bonds, \$23,175,000 are payable from special assessments to be levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessments districts are insufficient to retire outstanding bonds. These bonds (and related interest of \$5,329,314) are being serviced by the G.O. Special Assessment – Streets Debt Service Fund.

General Obligation HRA Tax Increment Bonds

During March 2004, the City issued General Obligation Temporary Bonds, Series 2004C in the amount of \$3,950,000 to finance the cost of public infrastructure improvements incurred by the Housing and Redevelopment Authority of the City of Saint Paul within its Koch/Mobil Tax Increment Financing District. The bonds have a City general obligation pledge and will be retired using tax increment revenues or proceeds from a future tax increment bond issue. Prior to the March 1, 2007 final maturity date, the Series 2004C Bonds are expected to be refinanced with a second three-year temporary bond issue. The 2004C Bonds had a balance of \$3,950,000 outstanding as of December 31, 2004.

During November 2000, the City issued General Obligation Riverfront Tax Increment Bonds, Series 2000D in the amount of \$8,335,000 to currently refund the Riverfront Tax Increment Bonds, Series 1993C in order that debt service requirements for the Riverfront Tax Increment Financing District could be reduced through a lower interest rate. The Series 2000D Bonds had a balance of \$6,595,000 as of December 31, 2004.

The Riverfront Tax Increment Refunding Bonds, Series 2002C were issued in March 2002 in the amount of \$2,335,000 to currently refund the Riverfront Tax Increment Bonds, Series 1993D to take advantage of lower interest rates and reduce debt service payments. The Series 2002C Bonds had a balance of \$1,955,000 outstanding as of December 31, 2004.

During 1995, the City of Saint Paul issued Midway Marketplace Tax Increment General Obligation Bonds, Series 1995A in the amount of \$7,660,000 to provide financing for certain public redevelopment costs in an area referred to as Midway Marketplace. The 1995A Bonds had a balance of \$5,240,000 outstanding at December 31, 2004.

The total General Obligation HRA Tax Increment Bonds as of December 31, 2004 was \$17,740,000. The related interest requirement on this debt was \$5,406,306.

Sales Tax Revenue Bonds

In 1999, the City issued \$72,570,000 of Sales Tax Revenue Bonds to finance a portion of the costs of demolishing an existing arena facility located in the downtown area of the City and constructing a new multipurpose sports and entertainment arena adjacent and connected to the Saint Paul RiverCentre complex. The debt on these Sales Tax Revenue Bonds is being serviced by the City Revenue Bonds and Other Long-Term Debt – Debt Service Fund. The 1999A Bonds had a balance of \$68,900,000 outstanding as of December 31, 2004.

HRA Tax Increment Revenue Bonds

The North Quadrant Tax Increment Refunding Bonds, Series 2002 were issued in April 2002 in the amount of \$1,089,000 to currently refund the North Quadrant Tax Increment Bonds, Series 2000 issued in November 2000 in the amount of \$1,283,000. HRA tax increment revenues from the North Quadrant District are to be used to retire the Series 2002 Bonds. The 2002 Bonds had a balance of \$1,076,000 outstanding as of December 31, 2004.

The North Quadrant Phase II Tax Increment Bonds, Series 2002 were issued in June 2002 in the amount of \$1,140,000 to provide financing for development in the North Quadrant Tax Increment District. The bonds are to be retired using tax increment revenue from the North Quadrant District. The 2002 Bonds had a balance of \$1,140,000 as of December 31, 2004.

In January 1998, the HRA issued \$24,295,000 in Downtown Tax Increment Refunding Bonds, Series 1998 to advance refunding to the Downtown and Seventh Place Tax Increment Bonds, Series 1993. At December 31, 2004, \$10,870,000 of the 1998 HRA Downtown Tax Increment Refunding Bonds were outstanding.

The HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1986 were advance refunded in 1995 using proceeds from the \$4,720,000 HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1995. The Series 1995 Refunding Bonds are being retired using tax increments from the New Housing and Blighted Lands District. \$1,445,000 of these 1995 Refunding bonds were outstanding at December 31, 2004.

The Spruce Tree Tax Increment Refunding Bonds, Series 2003 were issued in March 2003 in the amount of \$1,890,000, and along with existing funds of the HRA, currently refunded the Spruce Tree Tax Increment Bonds, Series 1988. HRA tax increment revenues from the Spruce Tree/Metz District are to be used to retire the Series 2003 Bonds. The 2003 Bonds had a balance of \$1,749,942 outstanding as of December 31, 2004.

The US Bank Tax Increment Bonds, Series 2001, were issued in August 2001 in the amount of \$12,000,000 to provide a portion of the financing for the construction of a US Bank Operations Center in the HRA's Riverfront Renaissance Tax Increment Financing District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2004, \$12,000,000 of Series 2001 Bonds were outstanding.

The Upper Landing Tax Increment Bonds, Series 2002A, Series 2002B-1 and Series 2002B-2 were issued in October 2002 in the amount of \$19,130,000 to provide financing for development of the Upper Landing area in the HRA's Riverfront Renaissance Tax Increment District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2004, \$19,130,000 of the bonds were outstanding.

The Drake Marble Tax Increment Bonds, Series 2002 were issued in November 2002 in the amount of \$1,800,000 to provide financing for renovation of the Drake Marble building in the Riverfront Renaissance Tax Increment District. The bonds are to be retired using tax increment revenue from the Riverfront Renaissance District. At December 31, 2004, \$1,800,000 of Series 2002 were outstanding.

The Gateway Tax Increment Bonds, Series 2003C and Series 2003D were issued in the amount of \$4,820,000 to provide financing for the Gateway Apartments project. The Bonds were issued at a variable rate of one percent plus prime. The Bonds are to be retired solely through HRA tax increment revenues from the Shepard-Davern Tax Increment Financing District. At December 31, 2004, \$4,820,000 of Series 2003C and 2003D were outstanding.

The 9th Street Lofts Tax Increment Bonds, Series 2004, were issued in April 2004 in the amount of \$1,335,000 to provide financing for a rental housing development in the North Quadrant Tax Increment District. The bonds are to be retired using tax increment revenues from the North Quadrant District.

The J.J. Hill Tax Increment Bonds, Series 2004, were issued in November 2004 in the amount of \$3,660,000 to provide financing for an owner-occupied housing development in the J.J. Hill Tax Increment District. The bonds are to be retired using tax increment revenues from the J.J. Hill Tax Increment District.

The HRA's Tax Increment Revenue Bonds do not constitute a general obligation of the City and are not backed by the City's full faith and credit. At December 31, 2004, \$59,025,942 of HRA Tax Increment Revenue Bonds were outstanding.

HRA Sales Tax Revenue Bonds

In April 1996, the HRA issued \$55,865,000 in Sales Tax revenue Advance Refunding Bonds, Series 1996 to advance refund the Sales Tax Revenue Bonds, Series 1993. At December 31, 2004, \$46,115,000 of HRA Sales Tax Revenue Advance Refunding Bonds were outstanding.

HRA Lease Revenue Bonds

The RiverCentre Parking Facility Lease Revenue Bonds, Series 2000 were issued in May 2000 in the amount of \$7,240,000 to finance improvements to the RiverCentre Parking Ramp, which is owned by the City of Saint Paul. The bonds are payable from payments made by the City to the HRA for leasing the improvements. The outstanding balance was \$6,920,000 as of December 31, 2004.

The Central Library Lease Revenue Bonds, Series 2000 were issued in December 2000 in the amount of \$11,775,000 to provide financing for the renovation of the City's Central Library. Final payment of \$2,045,000 was made on May 1, 2004.

At December 31, 2004, the HRA Lease Revenue Bonds liability was \$6,920,000.

Revenue Notes Payable

In 1994, the City implemented the Saint Paul Energy Conservation Project, which is designed to evaluate energy usage in City-owned buildings and make improvements to achieve energy savings. The City has entered into note agreements with Xcel Energy to provide the City interest-free loans to finance the project. The notes are to be paid within ten (10) years. At December 31, 2004, \$320,633 of notes were outstanding.

During 1998, the City began construction of the new multi-purpose RiverCentre Arena, which presently houses a National Hockey League team (completed in 2000). The City received an interest-free loan from the State of Minnesota in the amount of \$65,000,000 for the construction of this arena. Payments on this loan, which will be \$48,000,000 due to the forgiveness of \$17,000,000 by the State, began in 2003 and will be paid through the year 2020. A portion of the payments by the hockey team will be used to repay the loan. The City recorded the proceeds and liability of the loan as it was expended by the State. As of December 31, 2004, the outstanding balance of the RiverCentre Arena Note was \$45,500,000.

In 1997, the City entered into a note agreement with the Saint Paul Foundation to provide the City a \$3,000,000 loan to acquire real property from West Publishing Corporation for the Science Museum Project. The loan is to be repaid with interest of one percent (1%) per annum in ten equal annual installments commencing on January 1, 1998. The loan will be repaid from the repayment of District Energy West Franchise Fees, Ryan Block parking revenues and cultural sales tax. At December 31, 2004, \$731,546 of this Science Museum Revenue Note was outstanding.

HRA Revenue Notes

\$14,870,000 of Saint Paul's governmental activity long-term obligations consist of HRA notes payable.

A summarized analysis of the HRA Revenue Notes payable at December 31, 2004 follows:

Note	Lender	Source for Retirement	Amount Payable 12/31/04	Due Within One Year
HUD Section 108 Note Series 1997A	Public Sale	Tax Increments and Loan Repayments	\$ 1,120,000	\$ 540,000
HUD Section 108 Note Series 2003A and 2003B	JP Morgan Chase Bank	HUD Grants, Port Authority Payments and Land Proceeds	8,000,000	-
Biotech Note -- 1000 Westgate Drive	RT Center LLC	HRA General Fund	5,750,000	-
			<u>\$ 14,870,000</u>	<u>\$ 540,000</u>

Compensated Absences

Included in the City's governmental long-term obligations is \$18,649,571 of accrued compensated absences relating to employees not accounted for in proprietary funds. Governmental funds that report salaries in their statement of revenues, expenditures and changes in fund balance are charged on a proportionate basis for the actual payments made by the General Fund of the severance pay portion of the compensated absences liability. Actual payments of the vacation and compensatory time portion of the compensated absences liability are made directly from the same governmental funds that incurred the salary expenditures.

Claims and Judgments Payable

Claim and judgment expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an estimate of claims that have been incurred but not reported (IBNR). Claim expenditures relating to tort liabilities are paid from the General Fund. Workers' compensation claim expenditures are recorded in the General Fund and are allocated to other City funds based upon a fringe benefit rate applied to each fund's actual salaries. The liability for claims and judgments is reported in the government-wide financial statements. At December 31, 2004, the claims and judgments liability was \$20,449,971.

Capital Leases

On July 1, 2004 the City entered into an agreement with Banc of America Leasing & Capital, LLC to provide tax-exempt lease financing for 50 police cars for a three-year period ending June 1, 2007. The related equipment capital asset of \$1,008,250 is reported in the City's Government-wide Statement of Net Assets and the Capital Assets Used in the Operation of Governmental Funds. A capital lease payable of \$843,177 was outstanding at December 31, 2004. Annual liquidation of this capital lease liability is reported in the City's General Fund.

On July 1, 2003 the City entered into an agreement with Professional Parking Systems to provide services and leased equipment for a police electronic citation issuance system for a three-year period beginning September 15, 2004. The related equipment capital asset of \$216,101 is reported in the City's Government-wide Statement of Net Assets and Capital Assets Used in the Operation of Governmental Funds. A capital lease payable of \$194,142 was outstanding at December 31, 2004. Annual liquidation of this capital lease liability is reported in the Parking Enforcement Special Revenue Fund.

A 20-year lease agreement in the amount of \$3,000,000, dated October 14, 1998, was entered in to finance the acquisition and renovation of expanded heating, ventilation and air conditioning systems, electrical and fire suppression systems, and workstations for the City Hall Annex. The related equipment of \$315,998 and building of \$2,684,002 are included as capital assets. A capital lease payable of \$2,416,458 was outstanding at December 31, 2004, and reported in the Public Works Administration Internal Service Fund.

A 30-year RiverCentre Pedestrian Link Cooperative Agreement dated May 23, 2002 was entered into with Ramsey County to finance the designing and construction of a pedestrian connection between the RiverCentre Complex and the existing skyway system in Landmark Tower. The related improvement other than building capital asset of \$6,872,000 is reported in the City's Government-wide Statement of Net Assets and Capital Assets Used in Operation of Governmental Funds. A capital lease payable of \$6,567,000 was outstanding at December 31, 2004. Annual liquidation of this capital lease liability is reported in the Revenue Notes and Other Long-Term Debt Service Fund.

A 20-year lease agreement in the amount of \$13,845,000 was entered into with Ramsey County on December 16, 2002 to finance the repair, renovation and remodeling of the Saint Paul Police Headquarters Facility through the use of proceeds of the sale of revenue bonds in the year 2003. The City agreed to reimburse the County for the expense incurred for issuance and repayment of the bonds through rent payments beginning in 2004. The related building capital asset of \$13,845,000 is reported in the City's Government-wide Statement of Net Assets and Capital Assets Used in the Operation of Governmental Funds. A capital lease payable of \$13,375,000 was outstanding as of December 31, 2004. Annual liquidation of this capital lease liability is reported in the City's General Fund.

The following is a schedule by years of future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments of December 31, 2004.

Capital Leases – Governmental Activity

The following is a schedule by years of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of December 31, 2004:

Year Ended December 31	City Hall Annex Improvements	RiverCentre Pedestrian Link	Saint Paul Police Headquarters Facility Lease	Saint Paul Police Vehicle Lease	Police Electronic Citation Issuance System Lease
2005	\$ 253,017	\$ 395,755	\$ 1,050,343	\$ 350,269	\$ 79,598
2006	253,017	395,011	1,048,542	350,269	79,598
2007	253,017	394,088	1,046,217	175,133	53,066
2008	253,017	392,985	1,048,368	-	-
2009	253,017	396,702	1,049,818	-	-
Thereafter	2,277,152	8,221,841	14,894,038	-	-
Total Minimum Lease Payments	3,542,237	10,196,382	20,137,326	875,671	212,262
Less Amount Representing Interest	(1,125,779)	(3,629,382)	(6,762,326)	(32,494)	(18,120)
Present Value of Future Capital Lease Payments	<u>\$ 2,416,458</u>	<u>\$ 6,567,000</u>	<u>\$ 13,375,000</u>	<u>\$ 843,177</u>	<u>\$ 194,142</u>

Business-Type Activity Long-Term Obligations

General Obligation Bonds

Included in the City's business-type activity long-term obligations are Sewer Utility General Obligation Bonds issued in 1998. The proceeds of these bonds are being used for sewer rehabilitation construction. At December 31, 2004, \$3,675,000 of outstanding bonds were recorded as a liability in the Sewer Utility Enterprise Fund.

General Obligation HRA Tax Increment Bonds

During 1998, the City of Saint Paul issued Block 39 Tax Increment General Obligation Bonds, Series 1998A and Series 1998B in the amount of \$21,255,000 and \$18,745,000, respectively. Proceeds from the Series 1998A and Series 1998B are being used to finance the acquisition of Block 39 properties in the downtown area and to construct a parking facility and retail space. The Bonds have a City general obligation pledge, but are to be retired using tax increments from the HRA's Block 39 Lawson/Arena District and revenues from the parking facility. The total amount of these bonds outstanding at December 31, 2004 were \$21,255,000 and \$15,885,000 and recognized as a liability in the HRA Parking Enterprise Fund.

Revenue Bonds

In March 2004, the City issued Sewer Revenue Bonds, Series 2004E in the amount of \$6,300,000 to finance improvements to the City's sewer system, payable from revenues of the Sewer Utility Enterprise Fund. At December 31, 2004 \$5,990,000 of outstanding bonds were recorded as a liability in the Sewer Utility Enterprise Fund.

The Sewer Utility issued \$26,280,000 of revenue refunding bonds in March 2003, payable from revenues of the Sewer Utility Enterprise Fund. The proceeds of this issue, combined with funds in the 1993 debt service account and the 1993 debt service reserve were used to current refund the 2004-2008 maturities, whose amount totaled \$28,435,000, of the Utility's Sewer Revenue Refunding Bonds, Series 1993 on June 1, 2003. At December 31, 2004 \$20,530,000 of Sewer Revenue Refunding Bonds, Series 2003D was outstanding.

The Rice and Arlington Sports Dome Fund is reporting \$3,240,000 of revenue bonds outstanding at December 31, 2004. These bonds were issued in 1996 for the purpose of constructing a sports dome. The City has discontinued using this facility to provide year round recreation programming. The building is used to house municipal athletic staff and operates batting cages and the fields are utilized during the summer. The General Fund provides a transfer to cover the debt service payment. Bond indenture requirements have been met by appropriate reserves.

Housing 5000 Land Assembly Bonds, Series 2004, were issued in January 2004 in the amount of \$25,000,000 to provide financing for the acquisition and improvement of land to be used in connection with the HRA's Housing 5000 Initiative. It is intended that the bonds will be retired through the sale of the acquired land to developers as part of the initiative. The bonds are secured by a letter of credit in the original amount of \$25,369,863 issued by the U.S. Bank to the bond trustee for the account of the HRA. The HRA is also required to set aside cash and cash equivalents in the amount of 10% of the principal outstanding on the bonds. In accordance with this requirement, the HRA has restricted cash for the Housing 5000 Land Assembly Bond debt service in the amount of \$2,500,000 in the HRA Parking Enterprise Fund.

HRA Parking System Revenue Bonds

The Parking Revenue Bonds include the Parking Revenue Refunding Bonds, Series 2001A, which were issued in March 2001 in the amount of \$6,755,000 to currently refund the Variable Rate Demand Parking Revenue Bonds, Series 1995B. At December 31, 2004, \$5,485,000 of the Series 2001A Refunding Bonds was outstanding.

In addition, \$7,590,000 of HRA Parking System Refunding Revenue Bonds, Series 1995A and \$9,095,000 of HRA World Trade Center Ramp Bonds, Series 1997A were outstanding at December 31, 2004.

The Parking Revenue Bonds, Series 2002A and Series 2002B were issued in May 2002 in the total amount of \$18,545,000 to provide financing for the construction of a 1,044-space parking ramp located on Block 19 in the downtown area. The bond proceeds were deposited into the HRA Parking Enterprise Fund and the bonds will be retired using parking revenues in the same enterprise fund. The outstanding balance as of December 31, 2004 was \$18,545,000.

The total amount of HRA Parking System Revenue Bonds outstanding as of December 31, 2004 was \$40,715,000, and is recognized in the HRA Parking Enterprise Fund.

Revenue Notes

From 1993 through 2002, the Department of Public Works entered into loan agreements with the State of Minnesota, Department of Trade and Economic Development, Public Facilities Authority, for long-term notes. The total principal amount of the long-term portion of the loans at December 31, 2004 was \$16,708,614. The proceeds of these loans were used to construct sewer facilities which reduce the amount of groundwater "inflow and infiltration" entering the City's sanitary sewer system, thereby decreasing the cost of sewage treatment. The notes are payable from the Sewer Utility Enterprise Fund.

Two notes were issued in 2004 to finance development costs for the Phalen Village Housing project. The Fannie Mae Credit Facility Note was issued in the amount of \$2,620,000 and was later retired in 2004 using loan repayments from the developer of the project. The Saint Paul Foundation Housing loan was issued in the amount of \$2,500,000 with an amount of \$565,620 being retired in 2004, leaving a balance of \$1,934,380 at December 31, 2004. The notes are recognized as a liability in the HRA Loan Enterprise Fund.

The RiverCentre Exhibit Hall Parking Ramp Notes were issued in 1995 in the amount of \$1,500,000. The outstanding balance as of December 31, 2004 was \$1,150,000. City parking revenues are used to retire the notes, which are recognized as a liability in the HRA Parking Enterprise Fund.

The Block 39 Municipal Parking Ramp Notes were issued in 1999 in the amount of \$2,000,000. The ramp revenues will be used to retire the notes beginning 2017. The notes are recognized as a liability in the HRA Parking Enterprise Fund.

Compensated Absences

Proprietary fund accrued liabilities for compensated absences are also included in the City's long-term obligations of \$843,619. Liabilities have been reported in the appropriate fund's financial statements.

Capital Lease

A 15-year lease agreement was entered into on July 30, 1998 to finance the acquisition of RiverCentre exhibit hall/meeting room furniture, ballroom furniture, a staging/riser package, office furniture and equipment, building operations equipment and audio/visual equipment. The related equipment capital asset of \$2,340,000 is reported in the RiverCentre Operating Enterprise Fund. A long-term capital lease payable of \$1,624,457 was outstanding at December 31, 2004, and recognized in the RiverCentre Operating Enterprise Fund.

The following is a schedule by years of future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments of December 31, 2004:

Capital Lease - Business-Type Activity

	RiverCentre Equipment Lease
Year Ended December 31	
2005	\$ 231,457
2006	231,457
2007	231,457
2008	231,457
2009	231,457
Thereafter	<u>925,830</u>
Total Minimum Lease Payments	2,083,115
Less Amount Representing Interest	<u>(458,658)</u>
Present Value of Future Capital Lease Payments	<u><u>\$ 1,624,457</u></u>

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4. Changes in Bonds Payable

Bonds Payable at January 1, 2004 \$ 439,969,000

New Debt:

G.O. Bonds -

Capital Improvement Bonds	\$ 22,270,000	
Special Assessment Debt with Governmental Commitment	2,500,000	
Library Bonds	12,280,000	
HRA Tax Increment Bonds	3,950,000	
Total G.O. Bonds		\$ 41,000,000

Revenue Bonds -

Sewer Revenue Bonds	6,300,000	
HRA Tax Increment Revenue Bonds	4,995,000	
HRA Loan Enterprise Revenue Bonds	25,000,000	
Total Revenue Bonds		36,295,000

Total New Debt 77,295,000

Debt Retired:

G.O. Bonds -

Property Tax Supported G.O. Bonds	(21,445,000)	
Special Assessment Debt with Governmental Commitment G.O. Bonds	(2,240,000)	
Sewer Utility G.O. Bonds	(190,000)	
HRA Tax Increment G.O. Bonds	(1,065,000)	
HRA Parking Facilities G.O. Bonds	(1,055,000)	
Total G.O. Bonds		(25,995,000)

Revenue Bonds -

Sales Tax Revenue Bonds	(940,000)	
Rice and Arlington Sports Dome Revenue Bonds	(150,000)	
Sewer Utility Revenue Bonds	(6,060,000)	
HRA Tax Increment Revenue Bonds	(2,858,058)	
HRA Sales Tax Revenue Bonds	(1,140,000)	
HRA Lease Revenue Bonds	(2,095,000)	
HRA Parking Facilities Bonds	(1,385,000)	
Total Revenue Bonds		(14,628,058)

Total Debt Retired (40,623,058)

Bonds Payable at December 31, 2004 \$ 476,640,942

5. Bonds Payable Summary

G.O. Bonds - Property Tax Supported	\$	118,475,000	
G.O. Special Assessment Debt with Governmental Commitment		23,175,000	
Sales Tax Revenue Bonds		68,900,000	
HRA G.O. Tax Increment		17,740,000	
HRA Tax Increment Revenue Bonds		59,025,942	
HRA Sales Tax Revenue Bonds		46,115,000	
HRA Lease Revenue Bonds		<u>6,920,000</u>	\$ 340,350,942
Sewer Utility Enterprise Fund Debt:			
General Obligation Bonds			
Current		195,000	
Noncurrent		3,480,000	
Revenue Bonds			
Current		6,140,000	
Noncurrent		<u>20,380,000</u>	30,195,000
Rice and Arlington Sports Dome Enterprise Fund Debt:			
Revenue Bonds			
Current		155,000	
Noncurrent		<u>3,085,000</u>	3,240,000
HRA Loan Enterprise Fund Debt:			
Revenue Bonds			
Current		-	
Noncurrent		<u>25,000,000</u>	25,000,000
HRA Parking Facilities Enterprise Fund Debt:			
General Obligation Bonds			
Current		1,135,000	
Noncurrent		36,005,000	
Revenue Bonds			
Current		1,460,000	
Noncurrent		<u>39,255,000</u>	77,855,000
Bonds Payable at December 31, 2004			<u><u>\$ 476,640,942</u></u>

6. Bonds Payable - by Issue

Bonds payable at December 31, 2004 are composed of the following individual issues:

	Interest Rates	Interest Dates	Issue Date	Final Maturity Date	Authorized and Issued	Outstanding as of 12/31/2004
GENERAL OBLIGATION BONDS						
<u>Property Tax Supported</u>						
Capital Improvement	4.00 to 4.70%	(6/1; 12/1)	12/1/96	12/1/06	\$ 3,000,000	\$ 715,000
	3.85 to 5.00%	(3/1; 9/1)	4/1/97	3/1/07	17,500,000	6,125,000
	4.25 to 4.50%	(4/1; 10/1)	4/1/98	4/1/08	15,000,000	6,675,000
	4.00%	(4/1; 10/1)	4/1/99	4/1/09	16,375,000	8,925,000
	5.125%	(3/1; 9/1)	3/1/00	3/1/10	19,000,000	12,550,000
	4.00 to 5.00%	(3/1; 9/1)	3/1/01	3/1/11	19,000,000	13,970,000
	1.45 to 4.125%	(3/1; 9/1)	3/1/02	3/1/12	19,000,000	15,670,000
	2.00 to 3.625%	(3/1; 9/1)	3/1/03	3/1/13	22,235,000	18,915,000
	2.00 to 3.25%	(3/1; 9/1)	3/1/04	9/1/13	19,000,000	19,000,000
Capital Improvement Refunding						
Series 2004D	2.00 to 2.50%	(3/1; 9/1)	3/1/04	3/1/06	3,270,000	3,270,000
					<u>153,380,000</u>	<u>105,815,000</u>
Water Pollution Abatement	5.80 to 6.25%	(3/1; 9/1)	3/1/75	3/1/05	4,000,000	160,000
Water Pollution Abatement - Refunding						
Series 1992						
Current	3.60 to 6.10%	(3/1; 9/1)	3/1/92	3/1/05	2,435,000	129,800
Crossover	3.60 to 6.10%	(3/1; 9/1)	3/1/92	3/1/05	1,675,000	90,200
					<u>4,110,000</u>	<u>220,000</u>
Saint Paul Public Library						
Series 2004	2.00 to 4.75%	(3/1; 9/1)	4/1/04	3/1/24	12,280,000	12,280,000
Total General Obligation Bonds - Property Tax Supported					<u>\$ 173,770,000</u>	<u>\$ 118,475,000</u>
<u>Special Assessment Debt with Governmental Commitment</u>						
Assessed Reconstruction Work	4.20 to 5.30%	(3/1; 9/1)	3/1/95	3/1/07	\$ 3,110,000	\$ 1,295,000
	3.70 to 5.20%	(3/1; 9/1)	4/1/96	3/1/08	2,220,000	1,235,000
	4.30 to 5.20%	(3/1; 9/1)	4/1/97	3/1/09	2,450,000	1,475,000
	3.70 to 4.75%	(4/1; 10/1)	4/1/98	4/1/10	2,800,000	1,795,000
	4.00 to 4.50%	(4/1; 10/1)	4/1/99	4/1/11	3,730,000	2,565,000
	4.75 to 5.30%	(3/1; 9/1)	3/1/00	3/1/12	2,950,000	2,160,000
	4.00 to 5.00%	(3/1; 9/1)	4/1/01	3/1/13	3,630,000	2,695,000
	1.45 to 4.375%	(3/1; 9/1)	4/1/11	3/1/14	2,915,000	2,280,000
	2.00 to 3.75%	(3/1; 9/1)	3/1/03	3/1/15	3,340,000	2,750,000
	2.00 to 3.75%	(3/1; 9/1)	3/1/04	3/1/16	2,500,000	2,500,000
Assessed Reconstruction Work Refunding - Series 1996C	3.60 to 5.25%	(3/1; 9/1)	4/1/96	3/1/11	6,710,000	2,425,000
Total General Obligation Bonds - Special Assessment Debt with Governmental Commitment					<u>\$ 36,355,000</u>	<u>\$ 23,175,000</u>

City of Saint Paul, Minnesota
Notes to the Financial Statements
For the Fiscal Year Ended December 31, 2004

Note VI
Detailed Notes
on All Funds

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding as of 12/31/2004</u>
<u>HRA Tax Increment Fund</u>						
Riverfront Tax Increment - Refunding						
Series 2000D	4.50 to 5.00%	(2/1; 8/1)	11/15/00	2/1/12	\$ 8,335,000	\$ 6,595,000
Series 2002C	2.90 to 5.65%	(2/1; 8/1)	3/1/02	2/1/12	2,335,000	1,955,000
Midway Marketplace Tax Increment						
Series 1995A	6.90 to 8.45%	(3/1; 9/1)	3/14/95	3/1/17	7,660,000	5,240,000
Koch/Mobil Tax Increment						
Series 2004C	2.25%	(3/1; 9/1)	3/1/04	3/1/07	<u>3,950,000</u>	<u>3,950,000</u>
Total General Obligation Bonds - HRA Tax Increment Bonds					<u>22,280,000</u>	<u>17,740,000</u>
<u>HRA Parking Facilities Enterprise Fund</u>						
Block 39 Tax Increment						
Series 1998A	4.60 to 4.75%	(2/1; 8/1)	1/1/98	2/1/25	21,255,000	21,255,000
Series 1998B	5.68 to 6.45%	(2/1; 8/1)	1/1/98	2/1/13	<u>18,745,000</u>	<u>15,885,000</u>
Total General Obligation Bonds - HRA Parking Facilities Enterprise Bonds					<u>40,000,000</u>	<u>37,140,000</u>
<u>Sewer Utility Enterprise Fund</u>						
Series 1998E	3.70 to 5.00%	(6/1; 12/1)	4/1/98	12/1/18	<u>4,700,000</u>	<u>3,675,000</u>
TOTAL GENERAL OBLIGATION BONDS					<u>\$277,105,000</u>	<u>\$200,205,000</u>

	Interest Rates	Interest Dates	Issue Date	Final Maturity Date	Authorized and Issued	Outstanding as of 12/31/2004
REVENUE BONDS						
<u>Sewer Utility Enterprise Fund</u>						
Sewer Revenue Refunding Bonds -						
Series 2003D	2.00 to 4.00%	(6/1; 12/1)	4/1/03	12/1/08	\$ 26,280,000	\$ 20,530,000
Sewer Revenue Bonds -						
Series 2004E	2.25 to 4.25%	(6/1; 12/1)	4/1/04	12/1/23	6,300,000	5,990,000
					<u>32,580,000</u>	<u>26,520,000</u>
<u>Rice and Arlington Sports Dome Enterprise Fund</u>						
Recreational Facilities Revenue Bonds						
- Series 1996D	4.30 to 5.88%	(6/1; 12/1)	9/1/96	6/1/18	4,135,000	3,240,000
<u>City Revenue Bonds and Other Long-Term Debt - Debt Service Fund</u>						
Sales Tax Revenue Bonds -						
Series 1999A	5.69 to 7.09%	(5/1; 11/1)	3/2/99	11/1/25	\$ 72,570,000	\$ 68,900,000

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City of Saint Paul, Minnesota
Notes to the Financial Statements
For the Fiscal Year Ended December 31, 2004

Note VI
Detailed Notes
on All Funds

	Interest Rates	Interest Dates	Issue Date	Final Maturity Date	Authorized and Issued	Outstanding as of 12/31/2004
<u>HRA General Debt Service Fund</u>						
HRA Tax Increment Revenue Bonds						
New Housing and Blighted Lands Tax Increment District						
1995 Refunding Bonds	3.75 to 5.30%	(3/1; 9/1)	8/1/95	9/1/07	\$ 4,720,000	\$ 1,445,000
Downtown Tax Increment District						
Refunding Bonds						
Series 1998	5.00 to 6.50%	(2/1; 8/1)	1/27/98	2/1/09	24,295,000	10,870,000
Spruce Tree Center						
Refunding Bonds						
Series 2003	6.50%	(3/1)	3/1/03	3/1/13	1,890,000	1,749,942
North Quadrant Tax Increment Refunding Bonds						
Series 2002	7.50%	(2/15; 8/15)	5/1/02	2/15/28	1,089,000	1,076,000
Phase II Bonds						
Series 2002	7.00%	(2/15; 8/15)	6/13/02	2/15/28	1,140,000	1,140,000
U.S. Bank Tax Increment Bonds						
Series 2001	5.00 to 6.75%	(2/1; 8/1)	8/9/01	2/1/28	12,000,000	12,000,000
Upper Landing Tax Increment Bonds						
Series 2002A	6.80%	(3/1; 9/1)	11/1/02	3/1/29	5,000,000	5,000,000
Series 2002B-1	6.40 to 7.00%	(3/1; 9/1)	11/1/02	3/1/29	12,130,000	12,130,000
Series 2002B-2	6.90%	(3/1; 9/1)	11/1/02	3/1/29	2,000,000	2,000,000
Drake Marble Tax Increment Bonds						
Series 2002A	6.75%	(3/1; 9/1)	11/15/02	3/1/28	1,800,000	1,800,000
Gateway Tax Increment Bonds						
Series 2003C	Variable-Prime + 1%	(2/1; 8/1)	11/18/03	8/1/31	2,609,000	2,609,000
Series 2003D	Variable-Prime + 1%	(2/1; 8/1)	11/18/03	8/1/31	2,211,000	2,211,000
9th St Lofts Tax Increment Bonds						
Series 2004	6.375%	(2/15; 8/15)	4/1/04	2/15/28	1,335,000	1,335,000
JJ Hill Tax Increment Bonds						
Series 2004	6.25%	(3/1; 9/1)	11/30/04	3/1/29	3,660,000	3,660,000
Total HRA Tax Increment Revenue Bonds					<u>\$ 75,879,000</u>	<u>\$ 59,025,942</u>

	<u>Interest Rates</u>	<u>Interest Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding as of 12/31/2004</u>
HRA Sales Tax Revenue Refunding Bonds (RiverCentre Project) - Series 1996	7.10%	(5/1; 11/1)	4/1/96	11/1/23	<u>\$ 55,865,000</u>	<u>\$ 46,115,000</u>
HRA Lease Revenue Bonds RiverCentre Parking Facility Series 2000	4.87 to 6.00%	(5/1; 11/1)	5/1/00	5/1/14	<u>7,240,000</u>	<u>6,920,000</u>
Total HRA General Debt Service Fund					<u>138,984,000</u>	<u>112,060,942</u>
HRA Parking System Revenue Bonds Refunding Bonds - Series 1995A	4.00 to 5.75%	(2/1; 8/1)	6/1/95	8/1/13	12,145,000	7,590,000
Series 2001A	4.00 to 5.00%	(2/1; 8/1)	3/1/01	8/1/17	6,755,000	5,485,000
World Trade Center Ramp Bonds Series 1997A	6.75%	(6/1; 12/1)	11/13/97	12/1/17	11,305,000	9,095,000
Block 19 Bonds Series 2002A	4.85 to 5.35%	(2/1; 8/1)	5/16/02	8/1/29	14,295,000	14,295,000
Series 2002AB	5.10 to 6.50%	(2/1; 8/1)	5/16/02	8/1/16	<u>4,250,000</u>	<u>4,250,000</u>
Total HRA Parking System Revenue Bonds					<u>48,750,000</u>	<u>40,715,000</u>
HRA Loan Enterprise Revenue Bonds Housing 5000 Land Assembly Bonds Series 1995A	Variable	1st of Month	1/28/04	1/29/07	<u>25,000,000</u>	<u>25,000,000</u>
TOTAL REVENUE BONDS					<u>322,019,000</u>	<u>276,435,942</u>
TOTAL BONDS PAYABLE					<u><u>\$599,124,000</u></u>	<u><u>\$476,640,942</u></u>

7. Prior Year Defeasance of Debt

In prior years, the City and HRA defeased certain general obligation bonds and self-supporting revenue bonds by placing the proceeds of the advance refunding bonds in special escrow accounts and investing in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City and HRA remain contingently liable to pay the refunded bonds. At December 31, 2004 the City had no balance of refunded debt outstanding. The HRA had \$87,415,516 of refunded debt outstanding at December 31, 2004.

			HRA		
Advance Refunding Bonds			Refunded Bonds		
Issue	Issue Amount	Balance Outstanding	Issue	Refunded Amount	Balance Outstanding
HRA Downtown Tax Increment Revenue Bonds, Series 1998	\$ 24,295,000	-	HRA Downtown and Seventh Place Tax Increment Revenue Bonds, Series 1993	\$ 27,073,568	\$ 9,280,000
HRA Downtown and Seventh Place Tax Increment Revenue Bonds, Series 1993	23,950,000	-	HRA Downtown and Seventh Place Tax Increment Revenue Bonds, Series 1989	27,531,034	24,520,516
HRA New Housing and Blighted Lands Tax Increment Bonds, Series 1995	4,720,000	-	HRA New Housing and Blighted Lands Tax Increment Revenue Bonds, Series 1986	4,770,000	1,510,000
HRA Sales Tax Revenue Bonds, Series 1996	55,865,000	-	HRA Sales Tax Revenue Bonds, Series 1993	63,930,000	52,105,000
					<u>\$ 87,415,516</u>

8. Debt Limit

The City of Saint Paul's debt limit under State of Minnesota Laws has been calculated as follows:

Estimated Market Values (Levy 2004 - Payable 2005)	
Real Property Value	\$ 19,318,297,500
Personal Property Value	<u>310,928,500</u>
Estimated Market Value for Debt Limit Computation	19,629,226,000
% Allowed for Statutory Bonded Debt Limit - Minnesota Statutes	
Section 475.53, Subd. 3 and City Charter Section 10.14	<u>x 3 1/3%</u>
DEBT LIMIT - Statutory Bonded Debt	<u><u>\$ 654,306,879</u></u>

\$89,386,507 of Saint Paul's \$476,640,942 bonded debt is subject to the Statutory Bonded Debt Limit. The amount of this debt subject to State Law Limitations and the resulting Legal Debt Margin is calculated as follows:

DEBT Limit - Statutory Bonded Debt	\$ 654,306,879
GROSS DEBT (Bonded)	\$ 476,640,942
DEDUCTIONS (Allowable under Minnesota Statutes)	
Section 475.51, Subd. 4):	
General Obligation Bonds	
Reserve for 2004 Maturities within Debt Limit	(16,428,493)
Outside Statutory Debt Limit	(67,540,000)
Outside Statutory Debt Limit - Revenue Supported	(26,850,000)
Revenue Bonds	<u>(276,435,942)</u>
TOTAL NET DEBT (BONDED) APPLICABLE TO DEBT LIMIT	<u>89,386,507</u>
LEGAL DEBT MARGIN	<u><u>\$ 564,920,372</u></u>

9. Direct, Overlapping and Underlying Debt

The City of Saint Paul's proportionate share of bonded debt affecting properties in Saint Paul is summarized as follows:

Governmental Unit	Gross Bonded Debt Less Sinking Funds	% Applied to City of Saint Paul	City of Saint Paul's Share
City of Saint Paul	\$ 92,946,347	100.00%	\$ 92,946,347
Independent School District #625	224,371,097	100.00%	224,371,097
County of Ramsey	119,053,801	47.00%	55,955,286
Metropolitan Council	139,328,000	7.58%	10,561,062
Port Authority of Saint Paul	<u>6,870,127</u>	100.00%	<u>6,870,127</u>
Total	<u><u>\$ 582,569,372</u></u>		<u><u>\$ 390,703,919</u></u>

Based on the City of Saint Paul's 2002 estimated population of 288,000, this resulted in a per capita City debt of \$322.73 and a per capita total debt of \$1,356.61.

H. Operating Lease

From 1998 through 2004, the City entered into noncancelable operating leases for personal computers with Winthrop Resources. Total payments made for the leases during 2004 were \$951,824. The following schedule presents the future minimum rental payments for these operating leases:

Year Ending December 31,	Amount
2005	\$ 735,447
2006	351,758
2007	184,349
Total Minimum Payments Required	<u>\$ 1,271,554</u>

I. Segment Information

The City issued revenue bonds in 1996 to finance the construction of the Rice and Arlington Sports Dome, which is accounted for in a nonmajor enterprise fund. Summary financial information is presented below:

CONDENSED STATEMENT OF NET ASSETS

	Rice and Arlington Sports Dome
ASSETS	
Current Assets	\$ 87,294
Capital Assets	2,508,615
Deferred Charges	52,583
Total Assets	<u>2,648,492</u>
LIABILITIES	
Current Liabilities	170,494
Noncurrent Liabilities	3,315,236
Total Liabilities	<u>3,485,730</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(961,621)
Unrestricted	124,383
TOTAL NET ASSETS	<u>\$ (837,238)</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

	Rice and Arlington Sports Dome
	<u> </u>
Depreciation Expense	\$ (114,028)
Other Operating Expenses	<u>(3,511)</u>
Operating Income (Loss)	<u>(117,539)</u>
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	4,900
Interest Expense	(190,683)
Amortization of Bond Issuance Cost	(3,895)
Transfers In (Out)	<u>339,760</u>
Total Other Nonoperating Revenues (Expenses)	150,082
Changes in Net Assets	32,543
Beginning Net Assets	<u>(869,781)</u>
ENDING NET ASSETS	<u><u>\$ (837,238)</u></u>

CONDENSED STATEMENT OF CASH FLOWS

	Rice and Arlington Sports Dome
	<u> </u>
Net Cash Provided (Used) by	
Operating Activities	\$ (4,414)
Noncapital Financing Activities	339,760
Capital and Related Financing Activities	(339,760)
Investing Activities	<u>3,957</u>
Net Increase (Decrease)	(457)
Beginning Cash and Cash Equivalents	<u>86,007</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 85,550</u></u>

J. Unreserved - Designated Fund Balances

Unreserved fund balances were designated to show the portion segregated from unreserved spendable (undesigned) resources as follows:

	General	Library Agency	HRA General Fund	General Debt Service	HRA General Debt Service	Other Governmental Funds
Unreserved, Designated for:						
Next Year's Appropriation	\$ 6,944,853	\$ 137,780	\$ 1,021,088	\$ 17,571,993	\$ -	\$ 5,899,807
Cash Flow	17,164,743	-	500,000	-	-	-
Revenue Estimates and Property Tax Relief	4,000,000	-	-	-	-	-
Tort and Other Legal Liabilities	1,000,000	-	-	-	-	-
Net Unrealized Gains	-	-	-	-	56,753	-
Future Housing and Commercial Projects	-	-	-	-	-	3,356,543
Debt Service	-	-	500,000	6,365,046	25,566,375	17,627,513
Specific Capital Projects	-	-	-	-	-	61,992,071
Total	<u>\$ 29,109,596</u>	<u>\$ 137,780</u>	<u>\$ 2,021,088</u>	<u>\$ 23,937,039</u>	<u>\$ 25,623,128</u>	<u>\$ 88,875,934</u>

Note VII. Discretely Presented Component Units

A. Basis of Presentation and Basis of Accounting

The Saint Paul Regional Water Services (Regional Water Services) and the Port Authority are accounted for as proprietary fund types. Proprietary fund types are reported on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred. The Regional Water Services and Port Authority have adopted Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Both entities have elected to implement all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Financial information is presented as a discrete column in the statement of net assets and statement of activities.

B. Deposits and Investments

In accordance with Governmental Accounting Standards Board Statement No. 3, the following disclosures relating to Regional Water Services and Port Authority deposits and investments are presented:

Regional Water Services Deposits at December 31, 2004:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the City of Saint Paul or its agent in the City's name		
a) Demand Deposits (including interest bearing)	\$ 1,965,780	\$ 1,965,780
b) Certificates of Deposit	None	None
(2) Collateralized with securities held by the pledging institution's trust department in the Regional Water Service's name	None	None
(3) Uncollateralized	None	None
Totals	<u>\$ 1,965,780</u>	<u>\$ 1,965,780</u>

Regional Water Services Investments at December 31, 2004:

	<u>Custodial Credit Risk Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
<u>Securities Type</u>	<u>1</u>	<u>2</u>	<u>3</u>		
US Government and Agency Securities Not on Securities Loan					
	\$ 20,213,239	-	-	\$ 20,213,239	\$ 20,213,239
Total Investments	<u>\$ 20,213,239</u>	<u>-</u>	<u>-</u>	<u>\$ 20,213,239</u>	<u>\$ 20,213,239</u>

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Port Authority Deposits at December 31, 2004:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
(1) Insured or collateralized by securities held by the Port Authority or its agent in the Port Authority's name		
a) Demand Deposits (including interest bearing)	\$ 2,419,679	\$ 1,196,679
b) Certificates of Deposit	None	None
(2) Collateralized with securities held by the pledging institution's trust department in the Port Authority's name	None	None
(3) Uncollateralized	1,250,936	1,059,725
Totals	<u>\$ 3,670,615</u>	<u>\$ 2,256,404</u>

Port Authority Investments at December 31, 2004:

	<u>Custodial Credit Risk Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
<u>Securities Type</u>	<u>1</u>	<u>2</u>	<u>3</u>		
US Government and Agency Securities	\$ 7,011,985	-	-	\$ 7,011,985	\$ 7,011,985
Commercial Paper	10,539,228	-	-	10,539,228	10,539,228
Investments Not Subject to Categorization:					
Guaranteed Investment Contract	-	-	-	4,903,353	4,903,353
Money Market Mutual Funds	-	-	-	4,198,623	3,046,816
Total Investments	<u>\$ 17,551,213</u>	<u>-</u>	<u>-</u>	<u>\$ 26,653,189</u>	<u>\$ 25,501,382</u>

The deposits and investments as described above are recorded in the financial statements as:

	<u>Regional Water Services</u>	<u>Port Authority</u>	<u>Total</u>
Cash and Investments	\$ 1,965,780	\$ 1,922,327	\$ 3,888,107
Investments	13,903,051	-	13,903,051
Restricted Cash	11,331	7,456,386	7,467,717
Restricted Investments	6,298,857	19,530,880	25,829,737
	<u>\$ 22,179,019</u>	<u>\$ 28,909,593</u>	<u>\$ 51,088,612</u>

In addition, the Regional Water Services reported department cash of \$161,892 and imprest funds of \$7,000 at December 31, 2004.

Marketable Securities

The Regional Water Services and Port Authority adopted Statement 31. Statement 31 requires governmental entities to record investments at their fair value and recognize any unrealized holding gains or losses as a component of investment income.

C. Capital Assets

Summary of Changes in Capital Assets of Regional Water Services:

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
Capital Assets Not Being Depreciated				
Land	\$ 1,329,617	\$ 23,973	\$ (5,855)	\$ 1,347,735
Construction in Progress	25,503,697	21,247,924	(21,588,804)	25,162,817
Total Capital Assets Not Being Depreciated	26,833,314	21,271,897	(21,594,659)	26,510,552
Capital Assets Being Depreciated				
Buildings and Structures	34,813,130	7,275,830	(54,853)	42,034,107
Public Improvements	176,648,191	11,956,409	(360,561)	188,244,039
Equipment	29,719,329	2,313,192	(590,080)	31,442,441
Total Capital Assets Being Depreciated	241,180,650	21,545,431	(1,005,494)	261,720,587
Less: Accumulated Depreciation for:				
Buildings and Structures	(7,777,244)	(1,138,195)	24,612	(8,890,827)
Public Improvements	(51,884,393)	(3,343,726)	151,700	(55,076,419)
Equipment	(14,335,103)	(1,820,294)	513,579	(15,641,818)
Total Accumulated Depreciation	(73,996,740)	(6,302,215)	689,891	(79,609,064)
Total Capital Assets Being Depreciated, Net	167,183,910	15,243,216	(315,603)	182,111,523
Capital Assets, Net	\$ 194,017,224	\$ 36,515,113	\$ (21,910,262)	\$ 208,622,075

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Summary of Changes in Capital Assets of Port Authority:

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
Capital Assets Not Being Depreciated:				
Land	\$ 13,494,607	\$ -	\$ (5,323,039)	\$ 8,171,568
Construction in Progress	446,131	-	(215,198)	230,933
Total Capital Assets Not Being Depreciated	13,940,738	-	(5,538,237)	8,402,501
Capital Assets Being Depreciated:				
Buildings	78,494,289	482,907	(18,370,802)	60,606,394
Equipment	17,909,684	798,248	(664,247)	18,043,685
Total Capital Assets Being Depreciated	96,403,973	1,281,155	(19,035,049)	78,650,079
Less: Accumulated Depreciation for:				
Buildings	(34,643,898)	(3,016,818)	14,591,028	(23,069,688)
Equipment	(14,303,779)	(2,080,143)	664,247	(15,719,675)
Total Accumulated Depreciation	(48,947,677)	(5,096,961)	15,255,275	(38,789,363)
Total Capital Assets Being Depreciated, Net	47,456,296	(3,815,806)	(3,779,774)	39,860,716
Capital Assets, Net	\$ 61,397,034	\$ (3,815,806)	\$ (9,318,011)	\$ 48,263,217

D. Long-Term Obligations

At December 31, 2004 long-term obligations of Regional Water Services consisted of:

	Unpaid Balances December 31, 2004	Principal	
		Less Current Maturities	Long Term Maturities
Revenue Bonds	\$ 20,185,000	\$ 915,000	\$ 19,270,000
Revenue Notes	15,368,927	1,391,095	13,977,832
Compensated Absences	1,689,685	85,343	1,604,342
Claims and Judgments	1,845,673	444,102	1,401,571
Total	\$ 39,089,285	\$ 2,835,540	\$ 36,253,745

At December 31, 2004 long-term obligations of Port Authority consisted of:

	Unpaid Balances December 31, 2004	Principal	
		Less Current Maturities	Long Term Maturities
General Obligation Bonds	\$ 23,725,000	\$ 660,000	\$ 23,065,000
Revenue Bonds	61,048,622	1,132,829	59,915,793
Revenue Notes	12,111,135	343,382	11,767,753
Capital Lease	18,313	12,527	5,786
Total	<u>\$ 96,903,070</u>	<u>\$ 2,148,738</u>	<u>\$ 94,754,332</u>

E. Principal and Interest Requirements on Long Term Obligations - Bonds and Notes

Regional Water Services:

Total principal and interest requirements relating to outstanding revenue bonds and notes at December 31, 2004 were as follows:

	Principal	Interest	Total
Revenue Bonds	\$ 20,185,000	\$ 8,490,886	\$ 28,675,886
Revenue Notes	15,368,927	3,618,789	18,987,716
Total	<u>\$ 35,553,927</u>	<u>\$ 12,109,675</u>	<u>\$ 47,663,602</u>

Port Authority:

Total principal and interest requirements relating to outstanding revenue bonds and notes at December 31, 2004 were as follows:

	Principal	Interest	Total
General Obligation Bonds	\$ 23,725,000	\$ 9,729,282	\$ 33,454,282
Revenue Bonds and Notes	73,159,757	71,069,462	144,229,219
Total	<u>\$ 96,884,757</u>	<u>\$ 80,798,744</u>	<u>\$ 177,683,501</u>

The Port Authority has issued debt obligations to finance numerous development projects. The debt is secured by the related amounts to be received under leases, loan agreements and ad valorem property taxes. These obligations are not secured by the credit of the Authority, and the Authority is not obligated in any manner for repayment of the debt. Accordingly, this no-commitment debt is not reported as a liability in the Port Authority's financial statements. At December 31, 2004, outstanding no-commitment debt totaled \$351 million.

F. Net Assets – Restricted

As of December 31, 2004, net assets were restricted for the following purposes:

	Regional Water Services	Port Authority	Total
For Revenue Bond Debt Service	\$ 5,200,217	\$ -	\$ 5,200,217
For Revenue Bond Operations and Maintenance	1,024,893	-	1,024,893
For Bond Indentures	-	10,097,357	10,097,357
	<u>\$ 6,225,110</u>	<u>\$ 10,097,357</u>	<u>\$ 16,322,467</u>

G. Condensed Financial Information

The following provides component unit condensed financial information for the year ended December 31, 2004:

CONDENSED STATEMENT OF NET ASSETS

	Regional Water Services	Port Authority	Total
ASSETS			
Current Assets	\$ 26,648,400	\$ 14,997,294	\$ 41,645,694
Restricted Assets	4,498,889	24,296,445	28,795,334
Capital Assets, Net	208,622,075	48,263,217	256,885,292
Other Assets	246,684	25,569,290	25,815,974
Total Assets	<u>240,016,048</u>	<u>113,126,246</u>	<u>353,142,294</u>
LIABILITIES			
Current Liabilities	10,278,272	13,470,157	23,748,429
Noncurrent Liabilities	35,970,528	96,161,838	132,132,366
Total Liabilities	<u>46,248,800</u>	<u>109,631,995</u>	<u>155,880,795</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	173,351,365	(23,731,331)	149,620,034
Restricted	6,225,110	10,097,357	16,322,467
Unrestricted	14,190,773	17,128,225	31,318,998
TOTAL NET ASSETS	<u>\$ 193,767,248</u>	<u>\$ 3,494,251</u>	<u>\$ 197,261,499</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Regional Water Services	Port Authority	Total
Operating Revenues	\$ 32,963,718	\$ 35,192,360	\$ 68,156,078
Operating Expenses	24,114,413	24,100,471	48,214,884
Depreciation	5,890,975	5,121,523	11,012,498
Operating Income (Loss)	2,958,330	5,970,366	8,928,696
Total Nonoperating Revenues (Expenses)	(911,691)	125,993	(785,698)
Capital Contributions	1,610,383	-	-
Changes in Net Assets	3,657,022	6,096,359	9,753,381
Net Assets, January 1	190,110,226	(2,602,108)	187,508,118
Net Assets, December 31	\$ 193,767,248	\$ 3,494,251	\$ 197,261,499

H. Pension Plans

Regional Water Services employees are employees of the City of Saint Paul and are covered by the Public Employees Retirement Association (PERA) pension plan. As previously stated, PERA does not make separate measurements of assets and pension benefit obligation for individual employers. See Note VIII. A. for disclosures relating to the PERA pension plan.

Prior to July 1, 2003, all full-time employees who met length-of-service requirements were required to participate in a Port Authority sponsored Section 414(d) employee benefit plan. Effective July 1, 2003, all employees hired after June 30, 2003, and employees 45 years of age or younger as of December 31, 2002, as well as any other employee making a permanent election, became participants in the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. The following is a description of these plans:

Port Authority 414(d) Plan: The Port Authority sponsors a Section 414(d) employee benefit plan covering all full-time employees who were hired prior to June 30, 2003, and did not elect to participate in the PERF. Employee participation in the plan is mandatory, and employees are required to contribute five percent of their salary. The Port Authority provides a matching contribution of five percent. In addition, the Port Authority makes an additional annual contribution of approximately one percent to employees employed as of December 31. Total contributions were approximately \$69,000 in 2004.

Public Employees Retirement Fund (PERF): All full-time and certain part-time employees of the Port Authority who were hired after June 30, 2003, and those employees hired prior to June 30, 2003, who were required to or elected to participate in PERF are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to the Coordinated Plan. All participating employees of the Port Authority are Coordinated Plan members and are covered by Social Security.

Note VIII. Other Information

A. Pension Plans

1. Defined Benefit Plans: Public Employees Retirement Association

a. Plan Descriptions

All full-time and certain part-time employees of the City of Saint Paul who are not participants of the Housing and Redevelopment Authority Pension Plan are covered by retirement plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and the Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For all PEPFF members and for PERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single annuity is a lifetime annuity that ceases upon the death of the retiree; no survivor annuity is payable. Also available are various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly-available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at mnpera.org, or by writing to PERA, 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

b. Funding Policy

Pension benefits are funded from member and employee contributions and income from investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. The following table lists the required contribution rates for employees and employers under the various plans administered by PERA. Rates are applied to annual covered salary.

Retirement Plan	Employee	Employer
Public Employees Retirement Fund (PERF)		
Basic	9.10%	11.78%
Coordinated	5.10%	5.53%
Public Employees Police and Fire Fund (PEPFF)	6.20%	9.30%

The City's contributions to the cost-sharing retirement plans for the years ending December 31, 2004, 2003 and 2002 were the following:

	2004	2003	2002
Public Employees Retirement Fund (PERF)			
Basic	\$ 37,783	\$ 54,509	\$ 86,563
Coordinated	5,056,320	5,081,932	5,101,862
	5,094,103	5,136,441	5,188,425
Public Employees Police and Fire Fund (PEPFF)	5,699,554	5,612,928	5,597,012
	<u>\$ 10,793,657</u>	<u>\$ 10,749,369</u>	<u>\$ 10,785,437</u>

In 1999, upon the merger of the Police and Fire Consolidation Fund (PFCF) with the PEPFF, relief associations that were underfunded as of July 1, 1999 were required to make a predetermined annual amortization payment to the PEPFF until the year 2010. The City's fire relief association that belonged to the PFCF was underfunded and was required to make annual payments of \$40,967. The annual payment of \$40,967 is included in the City's contribution to PEPFF shown above.

2. Defined Contribution Plan: Housing and Redevelopment Authority Pension Plan

a. Plan Description

Employees of the City of Saint Paul who were formerly employed by Housing and Redevelopment Authority (HRA) before the latter merged with the City of Saint Paul and who elected to continue to participate in this pension plan upon becoming employees of the City of Saint Paul are covered by the Housing and Redevelopment Authority Pension Plan, a defined contribution plan. The merger was authorized under the provision of Minnesota Laws of 1976, Chapter 234, as amended in 1977 Session Laws, Chapter 165. The law also provided that employees who elected to continue with the HRA pension plan shall be responsible for the difference in cost between the HRA pension plan and the City of Saint Paul pension plan. The HRA Pension Plan Trustees, in conjunction with Principal Financial Group, administers the HRA Pension Plan.

Participants in the HRA Pension Plan will be vested in their own Trust Fund Share attributable to their individual contributions, supplementary contributions and any rollover contributions. Vesting is based on applying a percentage based on the number of years of service with each full year of service to be vested at 20%. If termination of service or death occurs, each participant or participant's beneficiary is entitled to receive interest in the Trust Fund, and it will be paid in accordance with the rules of the pension plan.

b. Funding Policy

Each active employee who participates in the HRA Pension Plan contributes 6.47% of the employee's salary. The City of Saint Paul contributes 5.53% of each active employee's salary who belongs in the pension plan. The City and the covered employees contributed \$50,563 and \$59,141, respectively, for the year ending December 31, 2004. The City also contributed \$53,754 for 2003 and \$55,667 for 2002. For each year, the City contribution equals the required contribution for each respective year.

B. Post-Employment Benefits Other than Pension Benefits

In addition to the pension benefits described in Note VIII. A., the City provides other post-employment life and health insurance benefits in accordance with the City's collective bargaining agreements with employees' unions. Since the City has 29 bargaining agreements, there is substantial variance in eligibility requirements and contribution levels. The typical eligibility requirements are 20 years of service and currently receiving a public employee pension. The average monthly premium contributions for 2004 were as follows:

	Age	Average Monthly City Contribution	Average Monthly Retiree Contribution
Health Insurance	Less than 65	\$ 318	\$ 261
	65 and older	\$ 331	None
Life Insurance	Less than 65	\$ 3	None
	65 and older	Not applicable	Not applicable

These plans are fully insured.

Expenditures for these post-employment benefits are recognized as premiums and are paid to the insurers. In 2004, these expenditures totaled \$8,013,478 for approximately 1,973 retirees.

C. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City accounts for and finances its risk management activities in the General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claim expenditures relating to tort liabilities are paid from the General Fund. Workers' compensation claim expenditures are recorded in the General Fund and are allocated to other City funds based upon a fringe benefit rate applied to each fund's actual salaries. The following discloses the change in the balance of the claims liability during fiscal years 2003 and 2004.

	Year Ended December 31, 2004	Year Ended December 31, 2003
Beginning of Fiscal Year Liability	\$ 18,714,559	\$ 19,063,007
Current Year Claims and Changes in Estimates	8,149,114	5,310,489
Claim Payments	(6,413,702)	(5,658,937)
End of Fiscal Year Liability	<u>\$ 20,449,971</u>	<u>\$ 18,714,559</u>

Minnesota Statutes Section 466.04 limits the City's tort financial exposure. The limits are \$300,000 per individual and \$750,000 per accident for any number of claims arising out of a single occurrence for claims arising on or after January 1, 1998, and before January 1, 2000. For claims arising on or after January 1, 2000, the limit per accident for any number of claims arising out of a single occurrence is \$1,000,000 and \$300,000 per individual. The City has also established a designation of fund balance in the General Fund of \$1,000,000 for tort liability.

The City has purchased all risk property insurance coverage of \$930,000,000 for its real and personal property throughout the City. The deductible for each occurrence of damage or loss of property is \$250,000. Each City department participating in the risk retention program is charged a yearly amount based upon pro rata shares of the property insurance coverage, and contributions are made to a risk retention pool to address potential losses not covered by insurance. The City department is responsible for the first \$10,000 of each loss. Losses that exceed \$10,000 are reimbursed by the risk retention pool. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years. The City does not carry commercial liability and collision insurance for City-owned vehicles.

The City purchases coverage for employee health and life insurance benefits. These benefit plans are fully insured. The contributions required by employees to the health and life insurance programs are dependent upon an employee's bargaining unit. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City self-insures its liability for unemployment compensation benefits and City funds are directly charged for the actual costs incurred.

The City's Risk and Employee Benefit Management Division provides direction, management, coordination and planning services for risk, insurance and employee benefit programs. The Division conducts an audit and actuarial analysis to ensure proper premium, retention and administrative charges. Tort liability, workers' compensation and unemployment compensation programs are administered internally with professional claim managers and attorneys.

D. Construction and Other Significant Commitments

At December 31, 2004, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Phalen Blvd - Phase III	\$ 12,439,000
Residential Street Vitality Program	9,590,000
Sewer System Rehabilitation	6,088,000
Como Visitor and Education Resource Center	2,500,000
White Bear Ave Improvements	2,001,000
Tropical Encounters Exhibit	2,000,000
Major Sewer Repairs	1,794,000
Dale Street Redesign	1,369,000
Como Bike Lanes	1,182,000
Midway Parkway Improvements-Hamline to Snelling	899,000
Sidewalk Reconstruction	790,000
Wacouta Commons Park	750,000
Como Conservatory Fern Room	700,000
Neighborhood House/El Rio Vista Center	600,000
Total	<u>\$ 42,702,000</u>

E. Contingent Liabilities

The City, in connection with the normal conduct of its affairs, is involved in various judgments, claims and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the City.

F. Subsequent Events

In 2005, the City issued the following bonds:

	<u>Amount</u>	<u>Final Maturity</u>
General Obligation Bonds		
Property Tax Supported		
Capital Improvement Bonds	\$ 19,000,000	03/2015
Special Assessment Bonded Debt		
Street Improvement Bonds with Governmental Commitment	2,400,000	03/2017
Tax Increment Bond		
Taxable Tax Increment Refunding Bonds (Midway MarketPlace)	5,130,000	03/2017
Revenue Bonds		
Water Revenue Bonds	11,380,000	12/2024
HRA Taxable Tax Increment Revenue Bonds (Scattered Sites)	7,515,000	03/2017
HRA Parking Revenue Refunding Bonds	7,790,000	08/2013
HRA Smith Avenue Transit Center Parking Bonds	15,980,000	06/2012
Total Issued	<u>\$ 69,195,000</u>	

The General Obligation Bonds issued in 2005 were reaffirmed at Aa2 and AAA by Moody's Investors Service and Standard and Poor's Corporation, respectively. Moody's outlook remained positive. The Water Revenue Bonds were reaffirmed Aa2 by Moody's and were reaffirmed at AA+ by Standard and Poor's.